United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended **December 31, 2018**

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number **1-3548**

ALLETE, Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0418150**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

30 West Superior Street, Duluth, Minnesota 55802-2093

(Address of principal executive offices, including zip code)

(218) 279-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of voting stock held by nonaffiliates on June 29, 2018, was $3,959,298,983.

As of February 1, 2019, there were 51,519,442 shares of ALLETE Common Stock, without par value, outstanding.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated by reference in Part III.

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Definitions

The following abbreviations or acronyms are used in the text. References in this report to "we," "us" and "our" are to ALLETE, Inc. and its subsidiaries, collectively.

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction - the cost of both debt and equity funds used to finance utility plant additions during construction periods
ALLETE	ALLETE, Inc.
ALLETE Clean Energy	ALLETE Clean Energy, Inc. and its subsidiaries
ALLETE Properties	ALLETE Properties, LLC and its subsidiaries
ALLETE South Wind	ALLETE South Wind, LLC
ALLETE Transmission Holdings	ALLETE Transmission Holdings, Inc.
ArcelorMittal	ArcelorMittal USA, Inc.
ASC	Accounting Standards Codification
ATC	American Transmission Company LLC
Basin	Basin Electric Power Cooperative
Bison	Bison Wind Energy Center
BNI Energy	BNI Energy, Inc. and its subsidiary
Boswell	Boswell Energy Center
Camp Ripley	Camp Ripley Solar Array
CIP	Conservation Improvement Program
Cliffs	Cleveland-Cliffs Inc.
CO_2	Carbon Dioxide
Company	ALLETE, Inc. and its subsidiaries
DC	Direct Current
EIS	Environmental Impact Statement
EITE	Energy-Intensive Trade-Exposed
EPA	United States Environmental Protection Agency
ERP Iron Ore	ERP Iron Ore, LLC
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form 8-K	ALLETE Current Report on Form 8-K
Form 10-K	ALLETE Annual Report on Form 10-K
Form 10-Q	ALLETE Quarterly Report on Form 10-Q
GAAP	Generally Accepted Accounting Principles in the United States of America
GHG	Greenhouse Gases
GNTL	Great Northern Transmission Line
Invest Direct	ALLETE's Direct Stock Purchase and Dividend Reinvestment Plan
IRP	Integrated Resource Plan
Item ___	Item ___ of this Form 10-K
kV	Kilovolt(s)
kW / kWh	Kilowatt(s) / Kilowatt-hour(s)
Laskin	Laskin Energy Center
Magnetation	Magnetation, LLC
Manitoba Hydro	Manitoba Hydro-Electric Board
MBtu	Million British thermal units

Abbreviation or Acronym	Term
Mesabi Metallics	Mesabi Metallics Company, LLC
Minnesota Power	An operating division of ALLETE, Inc.
Minnkota Power	Minnkota Power Cooperative, Inc.
MISO	Midcontinent Independent System Operator, Inc.
Montana-Dakota Utilities	Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc.
Moody's	Moody's Investors Service, Inc.
MPCA	Minnesota Pollution Control Agency
MPUC	Minnesota Public Utilities Commission
MW / MWh	Megawatt(s) / Megawatt-hour(s)
NDPSC	North Dakota Public Service Commission
NERC	North American Electric Reliability Corporation
Nobles 2	Nobles 2 Power Partners, LLC
NOL	Net Operating Loss
NO_X	Nitrogen Oxides
Northern States Power	Northern States Power Company, a subsidiary of Xcel Energy Inc.
Northshore Mining	Northshore Mining Company, a wholly-owned subsidiary of Cliffs
Note ___	Note ___ to the consolidated financial statements in this Form 10-K
NTEC	Nemadji Trail Energy Center
NYSE	New York Stock Exchange
Oliver Wind I	Oliver Wind I Energy Center
Oliver Wind II	Oliver Wind II Energy Center
Palm Coast Park District	Palm Coast Park Community Development District in Florida
PolyMet	PolyMet Mining Corp.
PPA / PSA	Power Purchase Agreement / Power Sales Agreement
PPACA	Patient Protection and Affordable Care Act of 2010
PSCW	Public Service Commission of Wisconsin
RSOP	Retirement Savings and Stock Ownership Plan
SEC	Securities and Exchange Commission
S&P Global Ratings	Standard and Poor's Global Ratings
Shell Energy	Shell Energy North America (US), L.P.
Silver Bay Power	Silver Bay Power Company, a wholly-owned subsidiary of Cliffs
SO_2	Sulfur Dioxide
Square Butte	Square Butte Electric Cooperative, a North Dakota cooperative corporation
SWL&P	Superior Water, Light and Power Company
Taconite Harbor	Taconite Harbor Energy Center
Taconite Ridge	Taconite Ridge Energy Center
Tenaska	Tenaska Energy, Inc. and Tenaska Energy Holdings, LLC
TCJA	Tax Cuts and Jobs Act of 2017 (Public Law 115-97)
Tonka Water	Tonka Equipment Company
Town Center District	Town Center at Palm Coast Community Development District in Florida
TransAlta	TransAlta Energy Marketing (U.S.) Inc.
United Taconite	United Taconite LLC, a wholly-owned subsidiary of Cliffs
UPM Blandin	UPM, Blandin paper mill owned by UPM-Kymmene Corporation
U.S.	United States of America
U.S. Water Services	U.S. Water Services, Inc. and its subsidiaries
USS Corporation	United States Steel Corporation
WTG	Wind Turbine Generator

Forward-Looking Statements

Statements in this report that are not statements of historical facts are considered "forward-looking" and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there can be no assurance that the expected results will be achieved. Any statements that express, or involve discussions as to, future expectations, risks, beliefs, plans, objectives, assumptions, events, uncertainties, financial performance, or growth strategies (often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "projects," "likely," "will continue," "could," "may," "potential," "target," "outlook" or words of similar meaning) are not statements of historical facts and may be forward-looking.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are providing this cautionary statement to identify important factors that could cause our actual results to differ materially from those indicated in forward-looking statements made by or on behalf of ALLETE in this Form 10-K, in presentations, on our website, in response to questions or otherwise. These statements are qualified in their entirety by reference to, and are accompanied by, the following important factors, in addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements that could cause our actual results to differ materially from those indicated in the forward-looking statements:

- our ability to successfully implement our strategic objectives;
- global and domestic economic conditions affecting us or our customers;
- changes in and compliance with laws and regulations;
- changes in tax rates or policies or in rates of inflation;
- the outcome of legal and administrative proceedings (whether civil or criminal) and settlements;
- weather conditions, natural disasters and pandemic diseases;
- our ability to access capital markets and bank financing;
- changes in interest rates and the performance of the financial markets;
- project delays or changes in project costs;
- changes in operating expenses and capital expenditures and our ability to raise revenues from our customers in regulated rates or sales price increases at our Energy Infrastructure and Related Services businesses;
- the impacts of commodity prices on ALLETE and our customers;
- our ability to attract and retain qualified, skilled and experienced personnel;
- effects of emerging technology;
- war, acts of terrorism and cybersecurity attacks;
- our ability to manage expansion and integrate acquisitions;
- population growth rates and demographic patterns;
- wholesale power market conditions;
- federal and state regulatory and legislative actions that impact regulated utility economics, including our allowed rates of return, capital structure, ability to secure financing, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities and utility infrastructure, recovery of purchased power, capital investments and other expenses, including present or prospective environmental matters;
- effects of competition, including competition for retail and wholesale customers;
- effects of restructuring initiatives in the electric industry;
- the impacts on our Regulated Operations segment of climate change and future regulation to restrict the emissions of GHG;
- effects of increased deployment of distributed low-carbon electricity generation resources;
- the impacts of laws and regulations related to renewable and distributed generation;
- pricing, availability and transportation of fuel and other commodities and the ability to recover the costs of such commodities;
- our current and potential industrial and municipal customers' ability to execute announced expansion plans;
- real estate market conditions where our legacy Florida real estate investment is located may not improve;
- the success of efforts to realize value from, invest in, and develop new opportunities in, our Energy Infrastructure and Related Services businesses;
- factors affecting our Energy Infrastructure and Related Services businesses, including fluctuations in the volume of customer orders, unanticipated cost increases, changes in legislation and regulations impacting the industries in which the customers served operate, the effects of weather, creditworthiness of customers, ability to obtain materials required to perform services, and changing market conditions; and
- our ability to successfully close the announced sale of U.S. Water Services, including the satisfaction of certain closing conditions, which cannot be assured to be completed.

Additional disclosures regarding factors that could cause our results or performance to differ from those anticipated by this report are discussed in Part 1, Item 1A under the heading "Risk Factors" of this Form 10-K. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which that statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of these factors, nor can it assess the impact of each of these factors on the businesses of ALLETE or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Readers are urged to carefully review and consider the various disclosures made by ALLETE in this Form 10-K and in other reports filed with the SEC that attempt to identify the risks and uncertainties that may affect ALLETE's business.

Part I

Item 1. Business

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 16 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities. (See Note 4. Regulatory Matters.)

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in four states, approximately 545 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

U.S. Water Services provides integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency.

Corporate and Other is comprised of BNI Energy, our coal mining operations in North Dakota, our investment in Nobles 2, ALLETE Properties, our legacy Florida real estate investment, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

ALLETE is incorporated under the laws of Minnesota. Our corporate headquarters are in Duluth, Minnesota. Statistical information is presented as of December 31, 2018, unless otherwise indicated. All subsidiaries are wholly-owned unless otherwise specifically indicated. References in this report to "we," "us" and "our" are to ALLETE and its subsidiaries, collectively.

Year Ended December 31	2018	2017	2016
Consolidated Operating Revenue – Millions *(a)*	$1,498.6	$1,419.3	$1,339.7
Percentage of Consolidated Operating Revenue			
Regulated Operations	71%	75%	75%
ALLETE Clean Energy *(a)*	11%	6%	6%
U.S. Water Services	11%	11%	10%
Corporate and Other	7%	8%	9%
	100%	100%	100%

(a) Includes the sale of a wind energy facility to Montana-Dakota Utilities for $81.1 million in 2018.

For a detailed discussion of results of operations and trends, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. For business segment information, see Note 1. Operations and Significant Accounting Policies and Note 17. Business Segments.

REGULATED OPERATIONS

Electric Sales / Customers

Regulated Utility Kilowatt-hours Sold Year Ended December 31	2018	%	2017	%	2016	%
Millions						
Retail and Municipal						
Residential	1,140	8	1,096	7	1,102	8
Commercial	1,426	10	1,420	10	1,442	10
Industrial	7,261	50	7,327	50	6,456	45
Municipal	798	5	799	5	816	6
Total Retail and Municipal	10,625	73	10,642	72	9,816	69
Other Power Suppliers	3,953	27	4,039	28	4,316	31
Total Regulated Utility Kilowatt-hours Sold	14,578	100	14,681	100	14,132	100

Industrial Customers. In 2018, industrial customers represented 50 percent of total regulated utility kWh sales. Our industrial customers are primarily in the taconite mining, iron concentrate, paper, pulp and secondary wood products, and pipeline industries.

Industrial Customer Kilowatt-hours Sold Year Ended December 31	2018	%	2017	%	2016	%
Millions						
Taconite/Iron Concentrate	5,039	69	4,930	67	3,906	61
Paper, Pulp and Secondary Wood Products	987	14	1,104	15	1,303	20
Pipelines and Other Industrial	1,235	17	1,293	18	1,247	19
Total Industrial Customer Kilowatt-hours Sold	7,261	100	7,327	100	6,456	100

Six taconite facilities served by Minnesota Power made up approximately 80 percent of 2017 iron ore pellet production in the U.S. according to data from the Minnesota Department of Revenue 2018 Mining Tax Guide. Sales to taconite customers and iron concentrate customers represented 5,039 million kWh, or 69 percent of total industrial customer kWh sales in 2018. Taconite, an iron-bearing rock of relatively low iron content, is abundantly available in northern Minnesota and an important domestic source of raw material for the steel industry. Taconite processing plants use large quantities of electric power to grind the iron-bearing rock, and agglomerate and pelletize the iron particles into taconite pellets. Iron concentrate reclamation facilities also use large quantities of electricity to extract and process iron-bearing tailings left from previous mining operations in the production of iron ore concentrate.

Minnesota Power's taconite customers are capable of producing approximately 41 million tons of taconite pellets annually. Taconite pellets produced in Minnesota are primarily shipped to North American steel making facilities that are part of the integrated steel industry. Steel produced from these North American facilities is used primarily in the manufacture of automobiles, appliances, pipe and tube products for the gas and oil industry, and in the construction industry. Historically, less than 10 percent of Minnesota taconite production has been exported outside of North America. Minnesota Power also has provided electric service to three iron concentrate facilities capable of producing up to approximately 4 million tons of iron concentrate per year. Iron concentrate is used in the production of taconite pellets. These facilities have been idled since at least 2016. On July 17, 2018, ERP Iron Ore announced it would no longer seek to restart its iron concentrate operations. (See Item 7. Management's Discussion and Analysis – Outlook – Industrial Customers and Prospective Additional Load.)

There has been a general historical correlation between U.S. steel production and Minnesota taconite production. The American Iron and Steel Institute, an association of North American steel producers, reported that U.S. raw steel production operated at approximately 78 percent of capacity in 2018 (74 percent in 2017 and 71 percent in 2016). The World Steel Association, an association of over 160 steel producers, national and regional steel industry associations, and steel research institutes representing approximately 85 percent of world steel production, projected U.S. steel consumption in 2019 will increase by approximately one percent compared to 2018.

REGULATED OPERATIONS (Continued)
Industrial Customers (Continued)

The following table reflects Minnesota Power's taconite customers' production levels for the past ten years:

Minnesota Power Taconite Customer Production	
Year	**Tons (Millions)**
2018*	38
2017	38
2016	28
2015	31
2014	39
2013	37
2012	39
2011	39
2010	35
2009	17

Source: Minnesota Department of Revenue 2018 Mining Tax Guide for years 2009 - 2017.

** Preliminary data from the Minnesota Department of Revenue.*

Minnesota Power's taconite customers may experience annual variations in production levels due to such factors as economic conditions, short-term demand changes or maintenance outages. We estimate that a one million ton change in Minnesota Power's taconite customers' production would impact our annual earnings per share by approximately $0.04, net of expected power marketing sales at current prices. Changes in wholesale electric prices or customer contractual demand nominations could impact this estimate. Minnesota Power proactively sells power in the wholesale power markets that is temporarily not required by industrial customers to optimize the value of its generating facilities. Long-term reductions in taconite production or a permanent shut down of a taconite customer may lead Minnesota Power to file a general rate case to recover lost revenue.

In addition to serving the taconite industry, Minnesota Power serves a number of customers in the paper, pulp and secondary wood products industry, which represented 987 million kWh, or 14 percent of total industrial customer kWh sales in 2018. Minnesota Power also has agreements to provide steam for two of its paper and pulp customers for use in the customers' operations. The four major paper and pulp mills we serve reported operating at lower levels in 2018 compared to 2017 resulting from the closure of the smaller of UPM Blandin's two paper machines in the fourth quarter of 2017. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – Industrial Customers and Prospective Additional Load.)

Large Power Customer Contracts. Minnesota Power has eight Large Power Customer contracts, each serving requirements of 10 MW or more of customer load. The customers consist of six taconite facilities and four paper and pulp mills. Certain facilities have common ownership and are served under combined contracts.

Large Power Customer contracts require Minnesota Power to have a certain amount of generating capacity available. In turn, each Large Power Customer is required to pay a minimum monthly demand charge that covers the fixed costs associated with having this capacity available to serve the customer, including a return on common equity. Most contracts allow customers to establish the level of megawatts subject to a demand charge on a four-month basis and require that a portion of their megawatt needs be committed on a take-or-pay basis for at least a portion of the term of the agreement. In addition to the demand charge, each Large Power Customer is billed an energy charge for each kWh used that recovers the variable costs incurred in generating electricity. Five of the Large Power Customer contracts have interruptible service which provides a discounted demand rate in exchange for the ability to interrupt the customers during system emergencies. Minnesota Power also provides incremental production service for customer demand levels above the contractual take-or-pay levels. There is no demand charge for this service and energy is priced at an increment above Minnesota Power's cost. Incremental production service is interruptible.

REGULATED OPERATIONS (Continued)
Large Power Customer Contracts (Continued)

All contracts with Large Power Customers continue past the contract termination date unless the required advance notice of cancellation has been given. The required advance notice of cancellation varies from two to four years. Such contracts minimize the impact on earnings that otherwise would result from significant reductions in kWh sales to such customers. Large Power Customers are required to take all of their purchased electric service requirements from Minnesota Power for the duration of their contracts. The rates and corresponding revenue associated with capacity and energy provided under these contracts are subject to change through the same regulatory process governing all retail electric rates. (See *Regulatory Matters – Electric Rates*.)

Minnesota Power, as permitted by the MPUC, requires its taconite-producing Large Power Customers to pay weekly for electric usage based on monthly energy usage estimates. These customers receive estimated bills based on Minnesota Power's estimate of the customer's energy usage, forecasted energy prices and fuel adjustment clause estimates. Minnesota Power's taconite-producing Large Power Customers have generally predictable energy usage on a week-to-week basis and any differences that occur are trued-up the following month.

Contract Status for Minnesota Power Large Power Customers
As of December 31, 2018

Customer	Industry	Location	Ownership	Earliest Termination Date
ArcelorMittal – Minorca Mine	Taconite	Virginia, MN	ArcelorMittal S.A.	December 31, 2025
Hibbing Taconite Co. *(a)*	Taconite	Hibbing, MN	62.3% ArcelorMittal S.A. 23.0% Cliffs 14.7% USS Corporation	December 31, 2022
United Taconite and Northshore Mining	Taconite	Eveleth, MN and Babbitt, MN	Cliffs	December 31, 2026
USS Corporation (USS – Minnesota Ore) *(a)(b)*	Taconite	Mt. Iron, MN and Keewatin, MN	USS Corporation	December 31, 2022
Boise, Inc.	Paper	International Falls, MN	Packaging Corporation of America	December 31, 2023
UPM Blandin *(c)(d)*	Paper	Grand Rapids, MN	UPM-Kymmene Corporation	December 31, 2029
Verso Duluth Mill *(e)*	Paper and Pulp	Duluth, MN	Verso Corporation	December 31, 2024
Sappi Cloquet LLC *(a)*	Paper and Pulp	Cloquet, MN	Sappi Limited	December 31, 2022

(a) The contract will terminate four years from the date of written notice from either Minnesota Power or the customer. No notice of contract cancellation has been given by either party. Thus, the earliest date of cancellation is December 31, 2022.
(b) USS Corporation owns both the Minntac Plant in Mountain Iron, MN, and the Keewatin Taconite Plant in Keewatin, MN.
(c) The smaller of UPM Blandin's two paper machines was closed in the fourth quarter of 2017. (See Item 7. Management's Discussion and Analysis – Outlook – Industrial Customers and Prospective Additional Load.)
(d) Minnesota Power amended and extended its electric service agreement with UPM Blandin through 2029, subject to MPUC approval.
(e) Minnesota Power amended and extended its electric service agreement with Verso Corporation through 2024, which was approved by the MPUC at a hearing on December 20, 2018.

Residential and Commercial Customers. In 2018, residential and commercial customers represented 18 percent of total regulated utility kWh sales.

Municipal Customers. In 2018, municipal customers represented five percent of total regulated utility kWh sales. All of the municipal contracts include a termination clause requiring a three-year notice to terminate.

Minnesota Power's wholesale electric contracts with 16 non-affiliated municipal customers in Minnesota have termination dates ranging from 2019 through at least 2032, with a majority of contracts effective through at least 2024. One municipal customer provided a contract termination notice in 2016, with the termination to be effective June 30, 2019. Minnesota Power currently provides approximately 29 MW of average monthly demand to this customer. (See Note 4. Regulatory Matters.)

Other Power Suppliers. The Company also enters into off-system sales with Other Power Suppliers. These sales are at market-based prices into the MISO market on a daily basis or through bilateral agreements of various durations.

Our PSAs are detailed in Note 11. Commitments, Guarantees and Contingencies, with additional disclosure provided in the following paragraphs.

Basin PSAs. Minnesota Power has an agreement to sell 100 MW of capacity and energy to Basin for a ten-year period which expires in April 2020. The capacity charge is based on a fixed monthly schedule with a minimum annual escalation provision. The energy charge is based on a fixed monthly schedule and provides for annual escalation based on the cost of fuel. The agreement also allows Minnesota Power to recover a pro rata share of increased costs related to emissions that occur during the last five years of the contract. Minnesota Power has three additional agreements to sell capacity to Basin at fixed prices. (See Note 11. Commitments, Guarantees and Commitments.)

Minnkota Power PSA. Minnesota Power has a PSA with Minnkota Power where Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power, resulting in Minnkota Power's net entitlement increasing and Minnesota Power's net entitlement decreasing until Minnesota Power's share is eliminated at the end of 2025. Of Minnesota Power's 50 percent output entitlement, it sold approximately 28 percent to Minnkota Power in 2018 (28 percent in 2017 and in 2016). (See Power Supply – Long-Term Purchased Power.)

Silver Bay Power PSA. In 2016, Minnesota Power and Silver Bay Power entered into a PSA through 2031. Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which has been served predominately through self-generation by Silver Bay Power. Through 2019, Minnesota Power will supply Silver Bay Power with at least 50 MW of energy and Silver Bay Power has the option to purchase additional energy from Minnesota Power as it transitions away from self-generation. By December 31, 2019, Silver Bay Power is expected to cease self-generation and Minnesota Power is expected to supply the energy requirements for Silver Bay Power.

Seasonality

The operations of our industrial customers, which make up a large portion of our electric sales, are not typically subject to significant seasonal variations. (See *Electric Sales / Customers.*) As a result, Minnesota Power is generally not subject to significant seasonal fluctuations in electric sales; however, Minnesota Power and SWL&P electric and natural gas sales to other customers may be affected by seasonal differences in weather. In general, peak electric sales occur in the winter and summer months with fewer electric sales in the spring and fall months. Peak sales of natural gas generally occur in the winter months. Additionally, our regulated utilities have historically generated fewer sales and less revenue when weather conditions are milder in the winter and summer.

Power Supply

In order to meet its customers' electric requirements, Minnesota Power utilizes a mix of its own generation and purchased power. As of December 31, 2018, Minnesota Power's generating capability is primarily coal-fired, but also includes wind energy, hydroelectric, natural gas-fired, biomass co-fired and solar generation. Purchased power primarily consists of long-term coal, wind and hydro PPAs as well as market purchases. The following table reflects Minnesota Power's generating capabilities as of December 31, 2018, and total electrical supply for 2018. Minnesota Power had an annual net peak load of 1,589 MW on August 13, 2018.

REGULATED OPERATIONS (Continued)
Power Supply (Continued)

Regulated Utility Power Supply	Unit No.	Year Installed	Net Capability		Year Ended December 31, 2018 Generation and Purchases	
			MW		MWh	%
Coal-Fired						
Boswell Energy Center	1	1958	67	*(a)*		
in Cohasset, MN	2	1960	68	*(a)*		
	3	1973	355			
	4	1980	468	*(b)*		
			958		6,442,894	42.9
Taconite Harbor Energy Center	1	1957	75			
in Schroeder, MN	2	1957	75			
			150	*(c)*	—	—
Total Coal-Fired			1,108		6,442,894	42.9
Biomass Co-Fired / Natural Gas						
Hibbard Renewable Energy Center in Duluth, MN	3 & 4	1949, 1951	62		10,286	0.1
Laskin Energy Center in Hoyt Lakes, MN	1 & 2	1953	110		13,893	0.1
Total Biomass Co-Fired / Natural Gas			172		24,179	0.2
Hydro *(d)*						
Group consisting of ten stations in MN	Multiple	Multiple	120		607,664	4.0
Wind *(e)*						
Taconite Ridge Energy Center in Mt. Iron, MN	Multiple	2008	25		50,813	0.3
Bison Wind Energy Center in Oliver and Morton Counties, ND	Multiple	2010-2014	497		1,496,131	10.0
Total Wind			522		1,546,944	10.3
Solar						
Camp Ripley Solar Array near Little Falls, MN	Multiple	2016	10		16,744	0.1
Total Generation			1,932		8,638,425	57.5
Long-Term Purchased Power						
Lignite Coal - Square Butte near Center, ND *(f)*					1,717,616	11.4
Wind - Oliver County, ND					295,101	2.0
Hydro - Manitoba Hydro in Manitoba, Canada					292,148	1.9
Total Long-Term Purchased Power					2,304,865	15.3
Other Purchased Power *(g)*					4,087,176	27.2
Total Purchased Power					6,392,041	42.5
Total Regulated Utility Power Supply			1,932		15,030,466	100.0

(a) Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – EnergyForward.)

(b) Boswell Unit 4 net capability shown above reflects Minnesota Power's ownership percentage of 80 percent. WPPI Energy owns 20 percent of Boswell Unit 4. (See Note 3. Jointly-Owned Facilities and Projects.)

(c) Taconite Harbor Units 1 and 2 were idled in 2016. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – EnergyForward.)

(d) Hydro consists of 10 stations with 34 generating units.

(e) Taconite Ridge consists of 10 WTGs and Bison consists of 165 WTGs.

(f) Minnesota Power has a PSA with Minnkota Power whereby Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power. (See Electric Sales / Customers.)

(g) Includes short-term market purchases in the MISO market and from Other Power Suppliers.

REGULATED OPERATIONS (Continued)
Power Supply (Continued)

Fuel. Minnesota Power purchases low-sulfur, sub-bituminous coal from the Powder River Basin region located in Montana and Wyoming. Coal consumption in 2018 for electric generation at Minnesota Power's coal-fired generating stations was 3.8 million tons (3.8 million tons in 2017; 4.2 million tons in 2016). As of December 31, 2018, Minnesota Power had coal inventories of 0.9 million tons (1.2 million tons as of December 31, 2017). Minnesota Power has coal supply agreements providing for the purchase of a significant portion of its coal requirements through December 2019 and a portion of its coal requirements through December 2021. In 2019, Minnesota Power expects to obtain coal under these coal supply agreements and in the spot market. Minnesota Power continues to explore other future coal supply options and believes that adequate supplies of low-sulfur, sub-bituminous coal will continue to be available.

Minnesota Power also has coal transportation agreements in place for the delivery of a significant portion of its coal requirements through December 2021. The costs of fuel and related transportation costs for Minnesota Power's generation are recoverable from Minnesota Power's utility customers through the fuel adjustment clause.

Coal Delivered to Minnesota Power

Year Ended December 31	2018	2017	2016
Average Price per Ton	$38.89	$36.50	$35.87
Average Price per MBtu	$2.10	$2.01	$1.98

Long-Term Purchased Power. Minnesota Power has contracts to purchase capacity and energy from various entities, including output from certain coal, wind, hydro and solar generating facilities.

Our PPAs are detailed in Note 11. Commitments, Guarantees and Contingencies, with additional disclosure provided in the following paragraph.

Square Butte PPA. Under the PPA with Square Butte that extends through 2026, Minnesota Power is entitled to 50 percent of the output of Square Butte's 455 MW coal-fired generating unit. (See Note 11. Commitments, Guarantees and Contingencies.) BNI Energy mines and sells lignite coal to Square Butte. This lignite supply is sufficient to provide fuel for the anticipated useful life of the generating unit. Square Butte's cost of lignite consumed in 2018 was approximately $1.60 per MBtu ($1.71 per MBtu in 2017; $1.57 per MBtu in 2016). (See *Electric Sales / Customers – Minnkota Power PSA*.)

Transmission and Distribution

We have electric transmission and distribution lines of 500 kV (8 miles), 345 kV (242 miles), 250 kV (465 miles), 230 kV (717 miles), 161 kV (43 miles), 138 kV (190 miles), 115 kV (1,285 miles) and less than 115 kV (6,342 miles). We own and operate 159 substations with a total capacity of 8,531 megavoltamperes. Some of our transmission and distribution lines interconnect with other utilities.

Great Northern Transmission Line. As a condition of a 250 MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity is required. As a result, Minnesota Power is constructing the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy.

In a 2016 order, the MPUC approved the route permit for the GNTL, and in 2016, the U.S. Department of Energy issued a presidential permit to cross the U.S.-Canadian border, which was the final major regulatory approval needed before construction in the U.S. could begin. Site clearing and pre-construction activities commenced in the first quarter of 2017 with construction expected to be completed in 2020. To date, most of the right-of-way has been cleared while foundation installation and transmission tower construction have commenced. The total project cost in the U.S., including substation work, is estimated to be between $560 million and $710 million, of which Minnesota Power's portion is expected to be between $300 million and $350 million; the difference will be recovered from a subsidiary of Manitoba Hydro as non-shareholder contributions to capital. Total project costs of $380.8 million have been incurred through December 31, 2018, of which $203.7 million has been recovered from a subsidiary of Manitoba Hydro.

Manitoba Hydro must obtain regulatory and governmental approvals related to the MMTP, a new transmission line in Canada that will connect with the GNTL. (See Note 11. Commitments, Guarantees and Contingencies.)

REGULATED OPERATIONS (Continued)

Investment in ATC

Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. We account for our investment in ATC under the equity method of accounting. As of December 31, 2018, our equity investment in ATC was $128.1 million ($118.7 million as of December 31, 2017). (See Note 5. Equity Investments.)

ATC's authorized return on equity is 10.32 percent, or 10.82 percent including an incentive adder for participation in a regional transmission organization. In 2016, a federal administrative law judge ruled on a complaint proposing a reduction in the base return on equity to 9.70 percent, or 10.20 percent including an incentive adder for participation in a regional transmission organization, subject to approval or adjustment by the FERC. A final decision from the FERC on the administrative law judge's recommendation is pending.

ATC's 10-year transmission assessment, which covers the years 2018 through 2027, identifies a need for between $2.8 billion and $3.4 billion in transmission system investments. These investments by ATC, if undertaken, are expected to be funded through a combination of internally generated cash, debt and investor contributions. As opportunities arise, we plan to make additional investments in ATC through general capital calls based upon our pro rata ownership interest in ATC.

Properties

Our Regulated Operations businesses own office and service buildings, an energy control center, repair shops, electric plants, transmission facilities and storerooms in various localities in Minnesota, Wisconsin and North Dakota. All of the electric plants are subject to mortgages, which collateralize the outstanding first mortgage bonds of Minnesota Power and SWL&P. Most of the generating plants and substations are located on real property owned by Minnesota Power or SWL&P, subject to the lien of a mortgage, whereas most of the electric lines are located on real property owned by others with appropriate easement rights or necessary permits from governmental authorities. WPPI Energy owns 20 percent of Boswell Unit 4. WPPI Energy has the right to use our transmission line facilities to transport its share of Boswell generation. (See Note 3. Jointly-Owned Facilities and Projects.)

Regulatory Matters

We are subject to the jurisdiction of various regulatory authorities and other organizations.

Electric Rates. All rates and contract terms in our Regulated Operations are subject to approval by applicable regulatory authorities. Minnesota Power and SWL&P design their retail electric service rates based on cost of service studies under which allocations are made to the various classes of customers as approved by the MPUC or the PSCW. Nearly all retail sales include billing adjustment clauses, which may adjust electric service rates for changes in the cost of fuel and purchased energy, recovery of current and deferred conservation improvement program expenditures and recovery of certain transmission, renewable and environmental investments.

Minnesota Public Utilities Commission. The MPUC has regulatory authority over Minnesota Power's retail service area in Minnesota, retail rates, retail services, capital structure, issuance of securities and other matters. As authorized by the MPUC, Minnesota Power also recognizes revenue under cost recovery riders for transmission, renewable and environmental investments.

2016 Minnesota General Rate Case. In November 2016, Minnesota Power filed a retail rate increase request with the MPUC which sought an average increase of approximately 9 percent for retail customers. The rate filing sought a return on equity of 10.25 percent and a 53.81 percent equity ratio. The MPUC issued an order dated March 12, 2018, in Minnesota Power's general rate case approving a return on common equity of 9.25 percent and a 53.81 percent equity ratio. Final rates went into effect on December 1, 2018, which is expected to result in additional revenue of approximately $13 million on an annualized basis. Interim rates were collected from January 1, 2017, through November 30, 2018, which were fully offset by the recognition of a corresponding reserve. Minnesota Power has recorded a reserve for an interim rate refund, net of discounts provided to EITE customers, of $40.0 million as of December 31, 2018 ($23.7 million as of December 31, 2017) which is expected to be refunded in 2019. The MPUC also disallowed Minnesota Power's regulatory asset for deferred fuel adjustment clause costs due to the anticipated adoption of a forward-looking fuel adjustment clause methodology resulting in a $19.5 million pre-tax charge to Fuel, Purchased Power and Gas – Utility in 2017. As part of its decision in Minnesota Power's 2016 general rate case, the MPUC also extended the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2050 primarily to mitigate rate increases for our customers, and shortened the depreciable lives of Boswell Unit 1 and Unit 2 to 2022, resulting in a net decrease to depreciation expense of approximately $25 million pre-tax in the fourth quarter of 2017.

On April 2, 2018, Minnesota Power filed a petition with the MPUC requesting reconsideration of certain decisions in the MPUC's order dated March 12, 2018. In an order dated May 29, 2018, the MPUC denied Minnesota Power's petition for reconsideration and accepted a Minnesota Department of Commerce request for reconsideration reducing the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035 while utilizing the benefits of the lower federal income tax rate enacted as part of the TCJA to mitigate the impact on customer rates.

Energy-Intensive Trade-Exposed Customer Rates. An EITE customer ratemaking law was enacted in 2015 establishing a Minnesota energy policy to have competitive rates for certain industries such as mining and forest products. The MPUC approved a reduction in rates for EITE customers in a December 2016 order and subsequently approved cost recovery in an April 2017 order. Minnesota Power expects the discount to EITE customers to be approximately $16 million annually based on EITE customer current operating levels. While interim rates were in effect for Minnesota Power's 2016 general rate case, discounts provided to EITE customers offset interim rate refund reserves for non-EITE customers. Minnesota Power provided $16.7 million of discounts to EITE customers during the year ended December 31, 2018 ($8.6 million and none for the years ended December 31, 2017, and 2016, respectively)

Additional regulatory proceedings pending with the MPUC are detailed in Note 4. Regulatory Matters.

Public Service Commission of Wisconsin. The PSCW has regulatory authority over SWL&P's retail sales of electricity, natural gas and water, issuances of securities and other matters.

2016 Wisconsin General Rate Case. SWL&P's retail rates in 2018 were based on a 2017 PSCW retail rate order effective August 2017 that allowed for a 10.5 percent return on common equity and a 55 percent equity ratio. SWL&P's retail rates prior to August 2017 were based on a 2012 PSCW retail rate order that provided for a 10.9 percent return on equity.

2018 Wisconsin General Rate Case. On May 25, 2018, SWL&P filed a rate increase request with the PSCW requesting an average increase of 2.7 percent for retail customers (2.0 percent increase in electric rates; 2.3 percent increase in natural gas rates; and 0.1 percent increase in water rates). The filing sought an overall return on equity of 10.5 percent and a 55.41 percent equity ratio. In an order dated December 20, 2018, the PSCW approved a rate increase for SWL&P including a return on equity of 10.4 percent and a 55.0 percent equity ratio. Final rates went into effect January 1, 2019, which is expected to result in additional revenue of approximately $1.3 million on an annualized basis.

North Dakota Public Service Commission. The NDPSC has jurisdiction over site and route permitting of generation and transmission facilities in North Dakota.

Federal Energy Regulatory Commission. The FERC has jurisdiction over the licensing of hydroelectric projects, the establishment of rates and charges for transmission of electricity in interstate commerce, electricity sold at wholesale (including the rates for Minnesota Power's municipal and wholesale customers), natural gas transportation, certain accounting and record-keeping practices, certain activities of our regulated utilities and the operations of ATC. FERC jurisdiction also includes enforcement of NERC mandatory electric reliability standards. Violations of FERC rules are subject to enforcement action by the FERC including financial penalties up to $1 million per day per violation. Regulatory proceedings pending with the FERC are detailed in Note 4. Regulatory Matters.

REGULATED OPERATIONS (Continued)

Regional Organizations

Midcontinent Independent System Operator, Inc. Minnesota Power, SWL&P and ATC are members of MISO, a regional transmission organization. While Minnesota Power and SWL&P retain ownership of their respective transmission assets, their transmission networks are under the regional operational control of MISO. Minnesota Power and SWL&P take and provide transmission service under the MISO open access transmission tariff. In cooperation with stakeholders, MISO manages the delivery of electric power across all or parts of 15 states and the Canadian province of Manitoba which includes nearly 200,000 MW of generating capacity.

North American Electric Reliability Corporation. The NERC has been certified by the FERC as the national electric reliability organization. The NERC ensures the reliability of the North American bulk power system. The NERC oversees seven regional entities that establish requirements, approved by the FERC, for reliable operation and maintenance of power generation facilities and transmission systems. Minnesota Power is subject to these reliability requirements and can incur significant penalties for non-compliance.

Midwest Reliability Organization (MRO). Minnesota Power and ATC are members of the MRO, one of the seven regional entities overseen by the NERC. The MRO's primary responsibilities are to: ensure compliance with mandatory reliability standards by entities who own, operate or use the interconnected, international bulk power system; conduct assessments of the grid's ability to meet electricity demand in the region; and analyze regional system events.

The MRO region spans the Canadian provinces of Saskatchewan and Manitoba, and all or parts of 16 states. The region includes more than 200 organizations that are involved in the production and delivery of electricity. These organizations include municipal utilities, cooperatives, investor-owned utilities, transmission system operators, a federal power marketing agency, Canadian Crown corporations and independent power producers.

Minnesota Legislation

Renewable Energy. Minnesota law requires 25 percent of electric utilities' applicable retail and municipal energy sales in Minnesota to be from renewable energy sources by 2025. Minnesota law also requires Minnesota Power to meet interim milestones of 12 percent by 2012, 17 percent by 2016 and 20 percent by 2020. The law allows the MPUC to modify or delay meeting a milestone if implementation will cause significant ratepayer cost or technical reliability issues. If a utility is not in compliance with a milestone, the MPUC may order the utility to construct facilities, purchase renewable energy or purchase renewable energy credits. Minnesota Power's 2015 IRP, which was filed with the MPUC in 2015 and approved with modifications by the MPUC in a 2016 order, includes an update on its plans and progress in meeting the Minnesota renewable energy milestones through 2025. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – EnergyForward.)

Minnesota Power continues to execute its renewable energy strategy through renewable projects that will ensure it meets the identified state mandate at the lowest cost for customers. Minnesota Power has exceeded the interim milestone requirements to date with 26 percent of its applicable retail and municipal energy sales supplied by renewable energy sources in 2018.

Minnesota Solar Energy Standard. Minnesota law requires at least 1.5 percent of total retail electric sales, excluding sales to certain customers, to be generated by solar energy by the end of 2020. At least 10 percent of the 1.5 percent mandate must be met by solar energy generated by or procured from solar photovoltaic devices with a nameplate capacity of 40 kW or less and community solar garden subscriptions. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – EnergyForward.)

Competition

Retail electric energy sales in Minnesota and Wisconsin are made to customers in assigned service territories. As a result, most retail electric customers in Minnesota do not have the ability to choose their electric supplier. Large energy users of 2 MW and above that are located outside of a municipality are allowed to choose a supplier upon MPUC approval. Minnesota Power serves 10 Large Power facilities over 10 MW, none of which have engaged in a competitive rate process. No other large commercial or small industrial customers in Minnesota Power's service territory have sought a provider outside Minnesota Power's service territory. Retail electric and natural gas customers in Wisconsin do not have the ability to choose their energy supplier. In both states, however, electricity may compete with other forms of energy. Customers may also choose to generate their own electricity, or substitute other forms of energy for their manufacturing processes.

REGULATED OPERATIONS (Continued)
Competition (Continued)

In 2018, five percent of total regulated utility kWh sales were to municipal customers in Minnesota by contract. These customers have the right to seek an energy supply from any wholesale electric service provider upon contract expiration. Minnesota Power's wholesale electric contract with the Nashwauk Public Utilities Commission is effective through at least December 31, 2032. Minnesota Power wholesale electric contracts with 14 municipal customers are effective through varying dates ranging from 2024 through 2029. In 2016, one of Minnesota Power's municipal customers provided a contract termination notice effective June 30, 2019. (See *Electric Sales / Customers.*)

The FERC has continued with its efforts to promote a competitive wholesale market through open-access electric transmission and other means. As a result, our electric sales to Other Power Suppliers and our purchases to supply our retail and wholesale load are made in a competitive market.

Franchises

Minnesota Power holds franchises to construct and maintain an electric distribution and transmission system in 91 cities. The remaining cities, villages and towns served by Minnesota Power do not require a franchise to operate. SWL&P serves customers under electric, natural gas or water franchises in 1 city and 14 villages or towns.

ENERGY INFRASTRUCTURE AND RELATED SERVICES

ALLETE Clean Energy

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in four states, approximately 545 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

ALLETE Clean Energy believes the market for renewable energy in North America is robust, driven by several factors including environmental regulation, tax incentives, societal expectations and continual technology advances. State renewable portfolio standards, and state or federal regulations to limit GHG emissions are examples of environmental regulation or public policy that we believe will drive renewable energy development.

ALLETE Clean Energy's strategy includes the safe, reliable, optimal and profitable operation of its existing facilities. This includes a strong safety culture, the continuous pursuit of operational efficiencies at existing facilities and cost controls. ALLETE Clean Energy generally acquires facilities in liquid power markets and its strategy includes the exploration of PSA extensions upon expiration of existing contracts and production tax credit requalification of existing facilities.

In January 2017, ALLETE Clean Energy announced that it would develop a wind energy facility of up to 50 MW to be sold to Montana-Dakota Utilities; sale of the wind energy facility was completed on October 31, 2018, with revenue of $81.1 million and cost of sales of $67.4 million recognized in the fourth quarter of 2018. ALLETE Clean Energy also constructed and sold a 107 MW wind energy facility to Montana-Dakota Utilities in 2015.

In March 2017, ALLETE Clean Energy announced it will build, own and operate a 100 MW wind energy facility pursuant to a 20-year PSA with Northern States Power; construction is expected to be completed in late 2019. On March 15, 2018, ALLETE Clean Energy announced that it will build, own and operate an 80 MW wind energy facility pursuant to a 15-year PSA with NorthWestern Corporation; construction is expected to be completed in late 2019.

ENERGY INFRASTRUCTURE AND RELATED SERVICES (Continued)
ALLETE Clean Energy (Continued)

ALLETE Clean Energy manages risk by having a diverse portfolio of assets, which includes PSA expiration, technology and geographic diversity. The current portfolio of approximately 545 MW is subject to typical variations in seasonal wind with higher wind resources typically available in the winter months. The majority of its planned maintenance leverages this seasonality and is performed during lower wind periods. The current mix of PSA expiration and geographic location for existing facilities is as follows:

Wind Energy Facility	Location	Capacity MW	PSA MW	PSA Expiration
Armenia Mountain	Pennsylvania	100.5	100%	2024
Chanarambie/Viking	Minnesota	97.5		
PSA 1 *(a)*			12%	2023
PSA 2			88%	2023
Condon	Oregon	50	100%	2022
Lake Benton	Minnesota	104	100%	2028
Lincoln Heights	Minnesota	8.8	100%	2028
Storm Lake I	Iowa	108	100%	2019
Storm Lake II	Iowa	77		
PSA 1			90%	2019
PSA 2			10%	2032

(a) The PSA expiration assumes the exercise of four one-year renewal options that ALLETE Clean Energy has the sole right to exercise.

The majority of ALLETE Clean Energy's wind operations are located on real property owned by others with appropriate easement rights or necessary consents of governmental authorities. Two of ALLETE Clean Energy's wind energy facilities are encumbered by liens against their assets securing financing. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – Energy Infrastructure and Related Services – ALLETE Clean Energy.)

U.S. Water Services

On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million, subject to adjustment at closing, such as for changes in working capital. The transaction is expected to close by the end of the first quarter of 2019 upon receipt of regulatory approval. ALLETE plans to use the proceeds from the sale of U.S. Water Services primarily to reinvest in growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE will also consider using a portion of the proceeds to implement a common stock repurchase program.

U.S. Water Services provides integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency. U.S. Water Services has a presence in 49 states and Canada and has an established base of approximately 4,900 customers. U.S. Water Services differentiates itself from the competition by developing synergies between solutions in engineering, equipment and chemical water treatment, which helps customers achieve efficient and sustainable use of their water and energy systems. U.S. Water Services is a leading provider to the biofuels industry, and also serves the commercial and institutional markets, food and beverage, light manufacturing, power generation, and midstream oil and gas industries, among others. U.S. Water Services principally relies upon recurring revenues from a diverse mix of industrial customers. U.S. Water Services sells certain products which are seasonal in nature, with higher demand typically realized in warmer months; generally, lower sales occur in the first quarter of each year. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – Energy Infrastructure and Related Services – U.S. Water Services.)

In September 2017, U.S. Water Services acquired Tonka Water for total consideration of $19.2 million. Tonka Water is a supplier of municipal and industrial water treatment systems that expanded U.S. Water Services' geographic and customer markets.

U.S. Water Services leases an office and production facility at its headquarters in Minnesota as well as various office, warehouse and production facilities across the United States.

CORPORATE AND OTHER

BNI Energy

BNI Energy is a supplier of lignite coal in North Dakota, producing approximately 4 million tons annually and has an estimated 650 million tons of lignite coal reserves. Two electric generating cooperatives, Minnkota Power and Square Butte, consume virtually all of BNI Energy's production of lignite under cost-plus fixed fee coal supply agreements extending through December 31, 2037. (See Item 1. Business – Regulated Operations – Power Supply – Long-Term Purchased Power and Note 11. Commitments, Guarantees and Contingencies.) The mining process disturbs and reclaims between 200 and 250 acres per year. Laws require that the reclaimed land be at least as productive as it was prior to mining. As of December 31, 2018, BNI Energy had a $26.5 million asset reclamation obligation ($25.0 million as of December 31, 2017) included in Other Non-Current Liabilities on the Consolidated Balance Sheet. These costs are included in the cost-plus fixed fee contract, for which an asset reclamation cost receivable was included in Other Non-Current Assets on the Consolidated Balance Sheet. The asset reclamation obligation is guaranteed by surety bonds and a letter of credit. (See Note 11. Commitments, Guarantees and Contingencies.)

Investment in Nobles 2

On December 27, 2018, our wholly-owned subsidiary, ALLETE South Wind, entered into a partnership agreement with Tenaska to purchase a 49 percent equity interest in Nobles 2, the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. The wind energy facility will be built in Nobles County, Minnesota and is expected to be completed in late 2020, with an estimated total project cost of approximately $350 million to $400 million of which our portion is expected to be approximately $170 million to $200 million. We expect to utilize tax equity to finance a portion of our project costs, with an ALLETE expected equity investment of approximately $60 million to $70 million. We account for our investment in Nobles 2 under the equity method of accounting. As of December 31, 2018, our equity investment in Nobles 2 was $33.0 million. (See Note 5. Equity Investments.)

ALLETE Properties

ALLETE Properties represents our legacy Florida real estate investment. ALLETE Properties' major projects in Florida are Town Center at Palm Coast and Palm Coast Park.

Summary of Projects As of December 31, 2018	**Acres** *(a)*	**Residential Units** *(b)*	**Non-residential Sq. Ft.** *(b)(c)*
Projects			
Town Center at Palm Coast	962	2,419	2,022,700
Palm Coast Park	638	—	1,181,000
Total Projects	1,600	2,419	3,203,700

(a) Acreage amounts are approximate and shown on a gross basis, including wetlands.
(b) Units and square footage are estimated. Density at build out may differ from these estimates.
(c) Includes retail and non-retail commercial, office, industrial, warehouse, storage and institutional square footage.

In addition to the two projects, ALLETE Properties has approximately 600 acres of other land available for sale. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Outlook – Corporate and Other – ALLETE Properties.)

Seller Financing. ALLETE Properties occasionally provides seller financing to certain qualified buyers. As of December 31, 2018, outstanding finance receivables were $15.1 million, net of reserves, with maturities through 2022. These finance receivables accrue interest at market-based rates and are collateralized by the financed properties.

Regulation. A substantial portion of our development properties in Florida are subject to federal, state and local regulations, and restrictions that may impose significant costs or limitations on our ability to develop the properties. Much of our property is vacant land and some is located in areas where development may affect the natural habitats of various protected wildlife species or in sensitive environmental areas such as wetlands.

CORPORATE AND OTHER (Continued)

Non-Rate Base Generation and Miscellaneous

Corporate and Other also includes other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

As of December 31, 2018, non-rate base generation consists of 29 MW of generation at Rapids Energy Center. In 2018, we sold 0.1 million MWh of non-rate base generation (0.1 million MWh in 2017 and in 2016).

Non-Rate Base Power Supply	Unit No.	Year Installed	Year Acquired	Net Capability (MW)
Rapids Energy Center *(a)*				
in Grand Rapids, MN				
Steam – Biomass *(b)*	6 & 7	1969, 1980	2000	27
Hydro	4 & 5	1917, 1948	2000	2

(a) The net generation is primarily dedicated to the needs of one customer, UPM Blandin in Grand Rapids, Minnesota. (See Item 7. Management's Discussion and Analysis – Outlook – Industrial Customers and Prospective Additional Load.)

(b) The fuel supply for Rapids Energy Center Units 6 and 7 is supplemented by coal, but in 2019, those units will operate on natural gas.

ENVIRONMENTAL MATTERS

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation.

We consider our businesses to be in substantial compliance with currently applicable environmental regulations and believe all necessary permits have been obtained. We anticipate that with many state and federal environmental regulations and requirements finalized, or to be finalized in the near future, potential expenditures for future environmental matters may be material and require significant capital investments. Minnesota Power has evaluated various environmental compliance scenarios using possible outcomes of environmental regulations to project power supply trends and impacts on customers.

We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers. (See Note 11. Commitments, Guarantees and Contingencies.)

EMPLOYEES

As of December 31, 2018, ALLETE had 1,889 employees, of which 1,852 were full-time.

Minnesota Power and SWL&P have an aggregate of 475 employees who are members of the International Brotherhood of Electrical Workers (IBEW) Local 31. The current labor agreements with IBEW Local 31 expire on April 30, 2020, for Minnesota Power and February 1, 2021, for SWL&P.

BNI Energy has 181 employees, of which 139 are members of IBEW Local 1593. The current labor agreement with IBEW Local 1593 expires on March 31, 2019.

AVAILABILITY OF INFORMATION

ALLETE makes its SEC filings, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(e) or 15(d) of the Securities Exchange Act of 1934, available free of charge on ALLETE's website, www.allete.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC.

EXECUTIVE OFFICERS OF THE REGISTRANT

As of February 14, 2019, these are the executive officers of ALLETE:

Executive Officers	Initial Effective Date
Alan R. Hodnik, Age 59	
Chairman and Chief Executive Officer *(a)*	January 31, 2019
Chairman, President and Chief Executive Officer	May 10, 2011
President and Chief Executive Officer	May 1, 2010
Bethany M. Owen, Age 53	
President *(a)*	January 31, 2019
Senior Vice President and Chief Legal and Administrative Officer	November 26, 2016
Robert J. Adams, Age 56	
Senior Vice President and Chief Financial Officer	March 4, 2017
Senior Vice President – Energy-Centric Businesses and Chief Risk Officer	November 14, 2015
Vice President – Energy-Centric Businesses and Chief Risk Officer	June 23, 2014
Vice President – Business Development and Chief Risk Officer	May 13, 2008
Patrick L. Cutshall, Age 53	
Vice President and Corporate Treasurer	December 18, 2017
Treasurer	January 1, 2016
Steven W. Morris, Age 57	
Vice President, Controller and Chief Accounting Officer	December 24, 2016
Controller	March 3, 2014
Patrick K. Mullen, Age 58 *(b)*	
Senior Vice President – External Affairs	April 10, 2017
Bradley W. Oachs, Age 61	
Senior Vice President and President – Regulated Operations	November 26, 2016
Margaret A. Thickens, Age 52	
Vice President, Chief Legal Officer and Corporate Secretary	February 13, 2019

(a) On January 31, 2019, the Board of Directors of ALLETE appointed Bethany M. Owen as President of ALLETE.

(b) On January 14, 2019, Mr. Mullen announced his plan to retire. As part of an orderly transition, it is expected that Mr. Mullen will remain with the Company until some time in the second quarter of 2019.

EXECUTIVE OFFICERS OF THE REGISTRANT (Continued)

All of the executive officers have been employed by us for more than five years in executive or management positions. Prior to election to the position listed above, the following executives held other positions with the Company during the past five years.

Mr. Cutshall was Director – Investments and Tax; Director – Investments.
Mr. Morris was Director – Accounting.
Mr. Mullen was Vice President – Marketing and Corporate Communications.
Mr. Oachs was Chief Operating Officer – Minnesota Power.
Ms. Owen was Vice President – Information Technology Solutions and President – SWL&P.
Ms. Thickens was General Counsel and Director of Compliance – ALLETE Clean Energy; General Counsel and Secretary – ALLETE Clean Energy; Attorney Senior.

There are no family relationships between any of the executive officers. All officers and directors are elected or appointed annually.

The present term of office of the executive officers listed in the preceding table extends to the first meeting of our Board of Directors after the next annual meeting of shareholders. Both meetings are scheduled for May 14, 2019.

Item 1A. Risk Factors

The risks and uncertainties discussed below could materially affect our business operations, financial position, results of operations and cash flows, and should be carefully considered by stakeholders. The risks and uncertainties in this section are not the only ones we face; additional risks and uncertainties that we are not presently aware of, or that we currently consider immaterial, may also affect our business operations, financial position, results of operations and cash flows. Accordingly, the risks described below should be carefully considered together with other information set forth in this report and in future reports that we file with the SEC.

Certain of these risk factors below relate to U.S. Water Services. On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million, subject to adjustment at closing, such as for changes in working capital. The transaction is expected to close by the end of the first quarter of 2019. Risk factors relating to U.S. Water Services exist up to the closing of the sale, or in the future should the sale not be consummated.

Entity-wide Risks

We rely on access to financing sources and capital markets. If we do not have access to capital on acceptable terms or are unable to obtain capital when needed, our ability to execute our business plans, make capital expenditures or pursue other strategic actions that we may otherwise rely on for future growth would be adversely affected.

We rely on access to financing sources and the capital markets, on acceptable terms and at reasonable costs, as sources of liquidity for capital requirements not satisfied by our cash flows from operations. Market disruptions or a downgrade of our credit ratings may increase the cost of borrowing or adversely affect our ability to access and financing costs in the capital markets. Such disruptions or causes of a downgrade could include but are not limited to: the effects of the TCJA on the Company's cash flow metrics; a loss of, or a reduction in sales to, Large Power Customers if we are unable to offset the related lost margins; weaker operating performance; adverse regulatory outcomes; disproportionate increase in the contribution to net income from our Energy Infrastructure and Related Services businesses as compared to that from our Regulated Operations; deteriorating economic or capital market conditions; or volatility in commodity prices.

If we are not able to access capital on acceptable terms in sufficient amounts and when needed, or at all, the ability to maintain our businesses or to implement our business plans would be adversely affected.

A deterioration in general economic conditions may have adverse impacts on our financial position, results of operations and cash flows.

If economic conditions deteriorate on a national or regional level, it may have a negative impact on the Company's financial position, results of operations and cash flows as well as on our customers. This impact may include volatility and unpredictability in the demand for the products and services offered by our businesses, the loss of existing customers, tempered growth strategies, production cutbacks or customer bankruptcies. An uncertain economy could also adversely affect expenses including pension costs, interest costs, and uncollectible accounts, or lead to reductions in the value of certain real estate and other investments.

We are subject to extensive state and federal legislation and regulation, compliance with which could have an adverse effect on our businesses.

We are subject to, and affected by, extensive state and federal legislation and regulation. If it was determined that our businesses failed to comply with applicable laws and regulations, we could become subject to fines or penalties or be required to implement additional compliance measures or actions, the cost of which could be material. Adoption of new laws, rules, regulations, principles, or practices by federal and state agencies, or changes to or a failure to comply with current laws, rules, regulations, principles, or practices and their interpretations, could have an adverse effect on our financial position, results of operations and cash flows.

The inability to attract and retain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, could have an adverse effect on our operations.

The success of our business heavily depends on the leadership of our executive officers and key employees to implement our business strategy. The inability to maintain a qualified workforce including, but not limited to, executive officers, key employees and employees with specialized skills, may negatively affect our ability to service our existing or new customers, or successfully manage our business or achieve our business objectives. Personnel costs may increase due to competitive pressures or terms of collective bargaining agreements with union employees.

Market performance and other changes could decrease the value of pension and other postretirement benefit plan assets, which may result in significant additional funding requirements and increased annual expenses.

The performance of the capital markets impacts the values of the assets that are held in trust to satisfy future obligations under our pension and other postretirement benefit plans. We have significant obligations to these plans and the trusts hold significant assets. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below our projected rates of return. A decline in the market value of the pension and other postretirement benefit plan assets would increase the funding requirements under our benefit plans if asset returns do not recover. Additionally, our pension and other postretirement benefit plan liabilities are sensitive to changes in interest rates. As interest rates decrease, the liabilities increase, potentially increasing benefit expense and funding requirements. Our pension and other postretirement benefit plan costs are generally recoverable in our electric rates as allowed by our regulators or through our cost-plus fixed fee coal supply agreements at BNI Energy; however, there is no certainty that regulators will continue to allow recovery of these rising costs in the future.

We are exposed to significant reputational risk.

The Company could suffer negative impacts to its reputation as a result of operational incidents, violations of corporate compliance policies, regulatory violations, or other events which may result in negative customer perception and increased regulatory oversight, each of which could have an adverse effect on our financial position, results of operations and cash flows.

Catastrophic events, such as natural disasters and acts of war, may adversely affect our operations.

Catastrophic events such as fires, earthquakes, explosions, floods, ice storms, tornadoes, or similar occurrences, as well as acts of war, could adversely affect the Company's facilities, operations, financial position, results of operations and cash flows. Although the Company has contingency plans and employs crisis management to respond and recover operations in the event of a severe disruption resulting from such events, these measures may not be successful. Furthermore, despite these measures, if such an occurrence were to occur, our financial position, results of operations and cash flows could be adversely affected.

We are vulnerable to acts of terrorism or cybersecurity attacks.

Our operations may be targets of terrorist activities or cybersecurity attacks, which could disrupt our ability to provide utility service at our regulated utilities, develop or operate our renewable energy projects at ALLETE Clean Energy, provide integrated water management at U.S. Water Services, or operate our other businesses. The impacts may also impair the fulfillment of critical business functions, negatively impact our reputation, subject us to litigation or increased regulation, or compromise sensitive, confidential data.

There have been cybersecurity attacks on U.S. energy infrastructure in the past and there may be such attacks in the future. Our generation, transmission and distribution facilities, information technology systems and other infrastructure facilities and systems could be direct targets of, or otherwise be materially adversely affected by such activities. Computer viruses, terrorism, theft and sabotage could impact our systems and facilities, or those of third parties on which we rely, which may disrupt our operations.

Our businesses require the continued operation of sophisticated information technology systems and network infrastructure as well as the collection and retention of personally identifiable information of our customers, shareholders and employees. Although we maintain security measures designed to prevent cybersecurity incidents and protect our information technology and control systems, network infrastructure and other assets, our technology systems, or those of third parties on which we rely, may be vulnerable to disability, failures or unauthorized access due to hacking, viruses, acts of war or terrorism and other causes. If those technology systems fail or are breached and not recovered in a timely manner, we may be unable to perform critical business functions including effectively maintaining certain internal controls over financial reporting, our reputation may be negatively impacted, we may become subject to litigation or increased regulation, and sensitive, confidential and other data could be compromised. If our business were impacted by terrorist activities or cybersecurity attacks, such impacts could have an adverse effect on our financial position, results of operations and cash flows.

Government challenges to our tax positions, as well as tax law changes and the inherent difficulty in quantifying potential tax effects of business decisions, could adversely affect our results of operations and liquidity.

We are required to make judgments in order to estimate federal and state tax obligations. These judgments include reserves for potential adverse outcomes for tax positions that may be challenged by tax authorities. The obligations, which include income taxes and taxes other than income taxes, involve complex matters that ultimately could be litigated. We also estimate our ability to use tax benefits, including those in the form of carryforwards and tax credits that are recorded as deferred tax assets on our Consolidated Balance Sheet. A disallowance of these tax benefits could have an adverse impact on our financial position, results of operations and cash flows.

We are currently utilizing, and plan to utilize in the future, our carryforwards and tax credits to reduce our income tax obligations. If we cannot generate enough taxable income in the future to utilize all of our carryforwards and tax credits before they expire, we may incur adverse charges to earnings. If federal or state tax authorities deny any deductions or tax credits, our financial position, results of operations and cash flows may be adversely impacted.

Regulated Operations Risks

Our results of operations could be negatively impacted if our Large Power Customers experience an economic downturn, incur work stoppages, fail to compete effectively, experience decreased demand or experience a decline in prices for their product.

Minnesota Power's eight Large Power Customers accounted for 24 percent of our 2018 consolidated operating revenue (25 percent in 2017 and 22 percent in 2016), of which one of these customers accounted for approximately 10 percent of consolidated revenue in 2018 (10 percent in 2017 and 8 percent in 2016). These customers are involved in cyclical industries that by their nature are adversely impacted by economic downturns and are subject to strong competition in the marketplace. Additionally, the North American paper and pulp industry also faces declining demand due to the impact of electronic substitution for print and changing customer needs.

Accordingly, if our customers experience an economic downturn, incur a work stoppage (including strikes, lock-outs or other events), fail to compete effectively, experience decreased demand or experience a decline in prices for their product, there could be adverse effects on their operations and, consequently, this could have a negative impact on our results of operations if we are unable to remarket at similar prices the energy that would otherwise have been sold to such Large Power Customers.

Our utility operations are subject to an extensive legal and regulatory framework under federal and state laws as well as regulations imposed by other organizations that may have a negative impact on our business and results of operations.

We are subject to an extensive legal and regulatory framework imposed under federal and state law including regulations administered by the FERC, MPUC, MPCA, PSCW, NDPSC and EPA as well as regulations administered by other organizations including the NERC. These laws and regulations relate to allowed rates of return, capital structure, financings, rate and cost structure, acquisition and disposal of assets and facilities, construction and operation of generation, transmission and distribution facilities (including the ongoing maintenance and reliable operation of such facilities), recovery of purchased power costs and capital investments, approval of integrated resource plans and present or prospective wholesale and retail competition, renewable portfolio standards that require utilities to obtain specified percentages of electric supply from eligible renewable generation sources, among other things. Energy policy initiatives at the state or federal level could increase renewable portfolio standards or incentives for distributed generation, municipal utility ownership, or local initiatives could introduce generation or distribution requirements that could change the current integrated utility model. Our transmission systems and electric generation facilities are subject to the NERC mandatory reliability standards, including cybersecurity standards. Compliance with these standards may lead to increased operating costs and capital expenditures. If it was determined that we were not in compliance with these mandatory reliability standards or other statutes, rules and orders, we could incur substantial monetary penalties and other sanctions, which could adversely affect our results of operations.

These laws and regulations significantly influence our operations and may affect our ability to recover costs from our customers. We are required to have numerous permits, licenses, approvals and certificates from the agencies and other organizations that regulate our business. We believe we have obtained the necessary permits, licenses, approvals and certificates for our existing operations and that our business is conducted in accordance with applicable laws; however, we are unable to predict the impact on our operating results from the future regulatory activities of any of these agencies and other organizations. Changes in regulations or the adoption of new regulations could have an adverse impact on our results of operations.

Our ability to obtain rate adjustments to maintain reasonable rates of return depends upon regulatory action under applicable statutes and regulations, and we cannot provide assurance that rate adjustments will be obtained or reasonable authorized rates of return on capital will be earned. Minnesota Power and SWL&P, from time to time, file general rate cases with, or otherwise seek cost recovery authorization from, federal and state regulatory authorities. If Minnesota Power and SWL&P do not receive an adequate amount of rate relief in general rate cases, including if rates are reduced, if increased rates are not approved on a timely basis, if cost recovery is not granted at the requested level, or costs are otherwise unable to be recovered through rates, we may experience an adverse impact on our financial position, results of operations and cash flows. We are unable to predict the impact on our business and results of operations from future legislation or regulatory activities of any of these agencies or organizations.

Our operations present certain environmental risks that could adversely affect our financial position and results of operations, including effects of environmental laws and regulations, physical risks associated with climate change and initiatives designed to reduce the impact of GHG emissions.

We are subject to extensive environmental laws and regulations affecting many aspects of our present and future operations, including air quality, water quality and usage, waste management, reclamation, hazardous wastes, avian mortality and natural resources. These laws and regulations can result in increased capital expenditures, environmental emission allowance trading, operating and other costs, as a result of compliance, remediation, containment and monitoring obligations, particularly with regard to laws relating to emissions at generating facilities, coal ash, water discharge and wind energy facilities.

These laws and regulations could restrict the output of some existing facilities, limit the use of some fuels in the production of electricity, require the installation of additional pollution control equipment, require participation in environmental emission allowance trading, and lead to other environmental considerations and costs, which could have an adverse impact on our business, operations and results of operations.

These laws and regulations generally require us to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Violations of these laws and regulations could expose us to regulatory and legal proceedings, disputes with, and legal challenges by, governmental authorities and private parties, as well as potential significant civil fines criminal penalties and other sanctions.

Existing environmental regulations may be revised and new environmental regulations may be adopted or become applicable to us. Revised or additional regulations which result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have an adverse effect on our results of operations.

The scientific community generally accepts that emissions of GHG are linked to global climate change. Physical risks of climate change, such as more frequent or more extreme weather events, changes in temperature and precipitation patterns, changes to ground and surface water availability, and other related phenomena, could affect some, or all, of our operations. Severe weather or other natural disasters could be destructive, which could result in increased costs. An extreme weather event within our utility service areas can also directly affect our capital assets, causing disruption in service to customers due to downed wires and poles or damage to other operating equipment. These all have the potential to adversely affect our business and operations.

There is significant uncertainty regarding if and when new laws or regulations will be adopted to reduce GHG and the impact any such laws or regulations would have on us. In 2018, coal was the primary fuel source for 75 percent of the energy produced by our generating facilities. Any future limits on GHG emissions at the federal or state level may require us to incur significant capital expenditures and increases in operating costs, which if significant, could result in the closure of certain coal-fired energy centers, an impairment of assets, or otherwise adversely affect our results of operations, particularly if such expenditures and costs are not fully recoverable from customers.

We cannot predict the amount or timing of all future expenditures related to environmental matters because of uncertainty as to applicable regulations or requirements. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on all potentially responsible parties. Violations of certain environmental statutes, rules and regulations could expose ALLETE to third party disputes and potentially significant monetary penalties, as well as other sanctions for non-compliance.

The operation and maintenance of our electric generation and transmission facilities are subject to operational risks that could adversely affect our financial position, results of operations and cash flows.

The operation of generating facilities involves many risks, including start-up operations risks, breakdown or failure of facilities, the dependence on a specific fuel source, inadequate fuel supply, availability of fuel transportation, and the impact of unusual or adverse weather conditions or other natural events, as well as the risk of performance below expected levels of output or efficiency. A significant portion of our facilities contain older generating equipment, which, even if maintained in accordance with good engineering practices, may require significant capital expenditures to continue operating at peak efficiency. Generation and transmission facilities and equipment are also likely to require periodic upgrades and improvements due to changing environmental standards and technological advances. We could be subject to costs associated with any unexpected failure to produce or deliver power, including failure caused by breakdown or forced outage, as well as repairing damage to facilities due to storms, natural disasters, wars, sabotage, terrorist acts and other catastrophic events.

Our ability to successfully and timely complete capital improvements to existing facilities or other capital projects is contingent upon many variables.

We expect to incur significant capital expenditures in making capital improvements to our existing electric generation and transmission facilities and in the development and construction of new electric generation and transmission facilities. Should any such efforts be unsuccessful or not completed in a timely manner, we could be subject to additional costs or impairments which could have an adverse impact on our financial position, results of operation and cash flows.

Our electric generating operations may not have access to adequate and reliable transmission and distribution facilities necessary to deliver electricity to our customers.

We depend on our own transmission and distribution facilities, as well as facilities owned by other utilities, to deliver the electricity produced and sold to our customers, and to other energy suppliers. If transmission capacity is inadequate, our ability to sell and deliver electricity may be limited. We may have to forgo sales or may have to buy more expensive wholesale electricity that is available in the capacity-constrained area. In addition, any infrastructure failure that interrupts or impairs delivery of electricity to our customers could negatively impact the satisfaction of our customers, which could have an adverse impact on our business and results of operations.

Our results of operations could be impacted by declining wholesale power prices.

Wholesale prices for electricity have declined in recent years primarily due to low natural gas prices. If there are reductions in demand from customers or if we lose customers, we will market any available power to Other Power Suppliers in an effort to mitigate any earnings impact. Sales to Other Power Suppliers are sold at market-based prices into the MISO market on a daily basis or through bilateral agreements of various durations. Due to the low wholesale prices for electricity, we can make no assurances that our power marketing efforts would fully offset any reduction in earnings resulting from the lower demand from existing customers or the loss of customers.

The price of electricity and fuel may be volatile.

Volatility in market prices for electricity and fuel could adversely impact our financial position and results of operations and may result from:

- severe or unexpected weather conditions and natural disasters;
- seasonality;
- changes in electricity usage;
- transmission or transportation constraints, inoperability or inefficiencies;
- availability of competitively priced alternative energy sources;
- changes in supply and demand for energy;
- changes in power production capacity;
- outages at our generating facilities or those of our competitors;
- availability of fuel transportation;
- changes in production and storage levels of natural gas, lignite, coal, crude oil and refined products;
- wars, sabotage, terrorist acts or other catastrophic events; and
- federal, state, local and foreign energy, environmental, or other regulation and legislation.

Fluctuations in our fuel and purchased power costs related to our retail and municipal customers are passed on to customers through the fuel adjustment clause. Volatility in market prices for our fuel and purchase power costs primarily impacts our sales to Other Power Suppliers.

Demand for energy may decrease.

Our results of operations are impacted by the demand for energy in our service territories. There could be lower demand for energy due to a loss of customers as a result of economic conditions, customers constructing or installing their own generation facilities, higher costs and rates charged to customers, or loss of service territory or franchises. Further, energy conservation and technological advances that increased energy efficiency may temporarily or permanently reduce the demand for energy products. In addition, we are impacted by state and federal regulations requiring mandatory conservation measures, which reduce the demand for energy products. Continuing technology improvements and regulatory developments may make customer and third party-owned generation technologies such as rooftop solar systems, WTGs, microturbines and battery storage systems more cost effective and feasible for of our customers. If customers utilize their own generation, demand for energy from us would decline. There may not be future economic growth opportunities that would enable us to replace the lost energy demand from these customers. Therefore, a decrease in demand for energy could adversely impact our financial position, results of operations and cash flows.

We may not be able to successfully implement our strategic objectives of growing load at our utilities if current or potential industrial or municipal customers are unable to successfully implement expansion plans, including the inability to obtain necessary governmental permits.

As part of our long-term strategy, we pursue new wholesale and retail loads in and around our service territories. Currently, there are several companies in northeastern Minnesota that are in the process of developing natural resource-based projects that represent long-term growth potential and load diversity for our Regulated Operations businesses. These projects may include construction of new facilities and restarts of old facilities, both of which require permitting and approvals to be obtained before the projects can be successfully implemented. If a project does not obtain any necessary governmental (including environmental) permits and approvals or if these customers are unable to successfully implement expansion plans, our long-term strategy and thus our results of operations could be adversely impacted.

Energy Infrastructure and Related Services Risks

The inability to successfully manage and grow our Energy Infrastructure and Related Services businesses could adversely affect our results of operations.

Our Energy Infrastructure and Related Services businesses consist of ALLETE Clean Energy and U.S. Water Services. The Company's strategy for these businesses includes adding customers, products, and new geographies, project development for others and growth through acquisitions. This strategy depends, in part, on the Company's ability to successfully identify and evaluate acquisition opportunities and consummate acquisitions on acceptable terms. The Company may compete with other companies for these acquisition opportunities, which may increase the Company's cost of making acquisitions and the Company may be unsuccessful in pursuing these acquisition opportunities. These companies may be able to pay more for acquisitions and may be able to identify, evaluate, bid for and purchase a greater number of assets than the Company's financial or human resources permit. Additionally, tax law changes may adversely impact the economic characteristics of potential acquisitions or investments. If the Company is unable to execute its strategy of growth through acquisitions, project development for others, or the addition of new customers, products and geographies, it may impede our long-term objectives and business strategy.

Acquisitions are subject to uncertainties. If we are unable to successfully integrate and manage future acquisitions or strategic investments, this could have an adverse impact on our results of operations. Our actual results may also differ from our expectations due to factors such as the ability to obtain timely regulatory or governmental approvals, integration and operational issues and the ability to retain management and other key personnel.

U.S. Water Services principally relies upon recurring revenues from a diverse mix of industrial customers. Some of these customers can be adversely affected by low commodity prices such as those for ethanol and oil which may cause these customers to purchase less of U.S. Water Services' products and services. If U.S. Water Services is unable to retain its existing customers, add new customers, or if it experiences reduced demand for its products and services, adverse impacts on our results of operations could occur that would prevent us from achieving our future growth expectations.

The generation of electricity from ALLETE Clean Energy's wind energy facilities depends heavily on suitable meteorological conditions.

ALLETE Clean Energy's facilities are geographically diverse; however, if wind conditions are unfavorable, ALLETE Clean Energy's electricity generation and revenue from its wind energy facilities may be substantially below its expectations. The electricity produced, production tax credits received, and revenues generated by a wind energy facility are highly dependent on suitable wind conditions and associated weather conditions, which are beyond ALLETE Clean Energy's control. Furthermore, components of its systems could be damaged by severe weather, such as hailstorms, lightning or tornadoes. In addition, replacement and spare parts for key components of ALLETE Clean Energy's diverse turbine portfolio may be difficult or costly to acquire or may be unavailable. Unfavorable weather and atmospheric conditions could impair the effectiveness of ALLETE Clean Energy's assets or reduce their output beneath their rated capacity or require shutdown of key equipment, impeding operation of its wind energy facilities.

The construction, operation and maintenance of ALLETE Clean Energy's electric generation facilities are subject to operational risks that could adversely affect our financial position, results of operations and cash flows.

The construction and operation of generating facilities involves many risks, including the performance by key contracted suppliers and maintenance providers, start-up operations risks, breakdown or failure of facilities, the dependence on the availability of wind resources, or the impact of unusual, adverse weather conditions or other natural events, as well as the risk of performance below expected levels of output or efficiency. A portion of our facilities contain older generating equipment, even if maintained in accordance with good engineering practices, may require significant capital expenditures to continue operating at peak efficiency. We could be subject to costs associated with any unexpected failure to produce and deliver power, including failure caused by breakdown or forced outage, as well as repairing damage to facilities due to storms, natural disasters, wars, sabotage, terrorist acts and other catastrophic events.

As contracts with its counterparties expire, ALLETE Clean Energy may not be able to replace them with agreements on similar terms.

ALLETE Clean Energy is party to PSAs which expire in various years between 2019 and 2032. These PSA expirations are prior to the end of the estimated useful lives of the respective wind energy facilities. If, for any reason, ALLETE Clean Energy is unable to enter into new agreements with existing or new counterparties on similar terms once the current agreements expire, or sell energy in the wholesale market resulting in similar revenue, our financial position, results of operations and cash flows could be adversely affected.

Counterparties to ALLETE Clean Energy's turbine supply, service and maintenance, or offtake agreements may not fulfill their obligations.

ALLETE Clean Energy is party to turbine supply agreements, service and maintenance agreements, and PSAs under various durations with a limited number of creditworthy counterparties. If, for any reason, any of the counterparties under these agreements do not fulfill their related contractual obligations, and ALLETE Clean Energy is unable to mitigate non-performance by a key supplier or maintenance provider or remarket PSA energy resulting in similar revenue, our financial position, results of operations and cash flows could be adversely affected.

ALLETE has a significant amount of goodwill and intangible assets. A determination that goodwill or intangible assets have been impaired could result in a significant non-cash charge to earnings.

We had approximately $223 million of goodwill and intangible assets recorded on our Consolidated Balance Sheet as of December 31, 2018. If we change our business strategy, fail to deliver on our projected results or if market or other conditions adversely affect the operations of U.S. Water Services, we may be required to record an impairment charge. Declines in projected operating cash flows at U.S. Water Services could also result in an impairment charge. An impairment charge would result in a non-cash charge to earnings that could have an adverse effect on our results of operations.

Corporate and Other Risks

BNI Energy may be adversely impacted by its exposure to customer concentration, and environmental laws and regulations.

BNI Energy sells lignite coal to two electric generating cooperatives, Minnkota Power and Square Butte, and could be adversely impacted if these customers were unable or unwilling to fulfill their related contractual obligations. In addition, BNI Energy and its customers may be adversely impacted by environmental laws and regulations which could have an adverse effect on our financial position, results of operations and cash flows.

Real estate market conditions where our legacy Florida real estate investment is located may not improve.

The Company's strategy related to the real estate assets of ALLETE Properties incorporates the possibility of a bulk sale of its entire portfolio, in addition to sales over time, however, continued adverse market conditions could impact the timing of land sales, which could result in little to no sales, while still incurring operating expenses such as community development district assessments and property taxes, resulting in net operating losses at ALLETE Properties. Furthermore, weak market conditions could put the properties at risk for an impairment charge. An impairment charge would result in a non-cash charge to earnings that could have an adverse effect on our results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

A discussion of our properties is included in Item 1. Business and is incorporated by reference herein.

Item 3. Legal Proceedings

Discussions of material regulatory and environmental proceedings are included in Note 4. Regulatory Matters and Note 11. Commitments, Guarantees and Contingencies, and are incorporated by reference herein.

We are involved in litigation arising in the normal course of business. Also in the normal course of business, we are involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, and compliance with regulations, rate base and cost of service issues, among other things. We do not expect the outcome of these matters to have a material effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Safety Act). Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and this Item are included in Exhibit 95 to this Form 10-K.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the NYSE under the symbol ALE. We have paid dividends, without interruption, on our common stock since 1948. A quarterly dividend of $0.5875 per share on our common stock is payable on March 1, 2019, to the shareholders of record on February 15, 2019. The timing and amount of future dividends will depend upon earnings, cash requirements, the financial condition of the Company, applicable government regulations and other factors deemed relevant by the ALLETE Board of Directors.

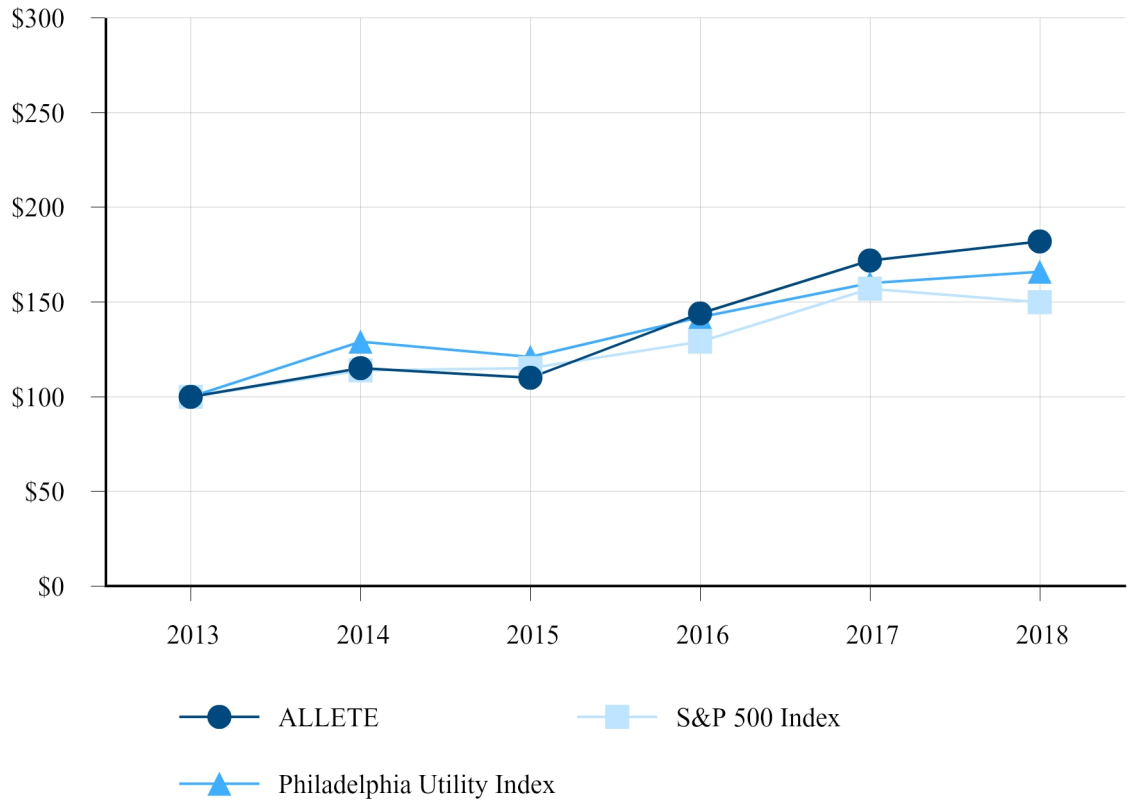
As of February 1, 2019, there were approximately 22,000 common stock shareholders of record.

Performance Graph.

The following graph compares ALLETE's cumulative Total Shareholder Return on its common stock with the cumulative return of the S&P 500 Index and the Philadelphia Utility Index. The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Because this composite index has a broad industry base, its performance may not closely track that of a composite index comprised solely of electric utilities. The Philadelphia Utility Index is a capitalization-weighted index of 20 utility companies involved in the generation of electricity.

The calculations assume a $100 investment on December 31, 2013, and reinvestment of dividends.

Total Shareholder Return for the Five Years Ending December 31, 2018



	2013	2014	2015	2016	2017	2018
ALLETE	$100	$115	$110	$144	$172	$182
S&P 500 Index	$100	$114	$115	$129	$157	$150
Philadelphia Utility Index	$100	$129	$121	$142	$160	$166

Item 6. Selected Financial Data

	2018	2017	2016	2015	2014
Millions Except Per Share Amounts					
Operating Revenue *(a)*	$1,498.6	$1,419.3	$1,339.7	$1,486.4	$1,136.8
Operating Expenses *(a)*	$1,297.4	$1,193.4	$1,122.7	$1,274.7	$946.9
Net Income *(b)*	$174.1	$172.2	$155.8	$141.5	$125.5
Less: Non-Controlling Interest in Subsidiaries *(c)*	—	—	0.5	0.4	0.7
Net Income Attributable to ALLETE *(b)*	$174.1	$172.2	$155.3	$141.1	$124.8
Common Stock Dividends	115.0	108.7	102.7	97.9	83.8
Earnings Retained in Business *(b)*	$59.1	$63.5	$52.6	$43.2	$41.0
Shares Outstanding					
Year-End	51.5	51.1	49.6	49.1	45.9
Average *(d)*					
Basic	51.3	50.8	49.3	48.3	42.9
Diluted	51.5	51.0	49.5	48.4	43.1
Diluted Earnings Per Share *(b)*	$3.38	$3.38	$3.14	$2.92	$2.90
Total Assets	$5,165.0	$5,080.0	$4,876.9	$4,864.4	$4,329.1
Long-Term Debt	$1,428.5	$1,439.2	$1,370.4	$1,556.7	$1,263.2
Return on Common Equity *(b)*	8.3%	8.6%	8.4%	8.0%	8.6%
Common Equity Ratio	59%	58%	55%	53%	54%
Dividends Declared per Common Share	$2.24	$2.14	$2.08	$2.02	$1.96
Dividend Payout Ratio *(b)*	66%	63%	66%	69%	68%
Book Value Per Share at Year-End	$41.85	$40.46	$38.17	$37.18	$35.04
Capital Expenditures by Segment					
Regulated Operations	$211.9	$177.1	$121.8	$224.4	$583.5
ALLETE Clean Energy	89.7	56.1	106.9	8.6	4.2
U.S. Water Services	5.0	4.4	3.7	2.9	—
Corporate and Other	12.0	28.9	15.4	15.9	16.6
Total Capital Expenditures	$318.6	$266.5	$247.8	$251.8	$604.3

(a) In 2015, operating revenue and operating expenses included $197.7 million and $162.9 million, respectively, for the sale of a wind energy facility by ALLETE Clean Energy to Montana-Dakota Utilities. In 2018, operating revenue and operating expenses included $81.1 million and $67.4 million, respectively, for the sale of a wind energy facility by ALLETE Clean Energy to Montana-Dakota Utilities.

(b) The year ended December 31, 2017, includes the impact of the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. (See Note 13. Income Tax Expense.)

(c) The non-controlling interest related to ALLETE Clean Energy's Condon wind energy facility was acquired in 2016. (See Note 6. Acquisitions.)

(d) Excludes unallocated ESOP shares in 2014.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Financial Statements and notes to those statements and the other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this Form 10-K contain forward-looking information that involves risks and uncertainties. Readers are cautioned that forward-looking statements should be read in conjunction with our disclosures in this Form 10-K under the headings: "Forward-Looking Statements" located on page 6 and "Risk Factors" located in Item 1A. The risks and uncertainties described in this Form 10-K are not the only risks facing our Company. Additional risks and uncertainties that we are not presently aware of, or that we currently consider immaterial, may also affect our business operations. Our business, financial condition or results of operations could suffer if the risks are realized.

Overview

Basis of Presentation. We present three reportable segments: Regulated Operations, ALLETE Clean Energy and U.S. Water Services. Our segments were determined in accordance with the guidance on segment reporting. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 16 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities. (See Note 4. Regulatory Matters.)

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in four states, approximately 545 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

U.S. Water Services provides integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency.

Corporate and Other is comprised of BNI Energy, our coal mining operations in North Dakota, our investment in Nobles 2, ALLETE Properties, our legacy Florida real estate investment, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

ALLETE is incorporated under the laws of Minnesota. Our corporate headquarters are in Duluth, Minnesota. Statistical information is presented as of December 31, 2018, unless otherwise indicated. All subsidiaries are wholly-owned unless otherwise specifically indicated. References in this report to "we," "us" and "our" are to ALLETE and its subsidiaries, collectively.

2018 Financial Overview

The following net income discussion summarizes a comparison of the year ended December 31, 2018, to the year ended December 31, 2017.

Net income attributable to ALLETE in 2018 was $174.1 million, or $3.38 per diluted share, compared to $172.2 million, or $3.38 per diluted share, in 2017. Net income in 2017 included the favorable impacts of $13.0 million after-tax, or $0.25 per share, for the remeasurement of deferred income tax assets and liabilities resulting from the TCJA and $7.9 million after-tax, or $0.16 per share, related to the regulatory outcome of the MPUC's modification of its November 2016 order on the allocation of North Dakota investment tax credits. Net income in 2017 also included a non-cash $11.4 million after-tax charge, or $0.22 per share, for the MPUC's decision in Minnesota Power's 2016 general rate case disallowing recovery of Minnesota Power's regulatory asset for deferred fuel adjustment clause costs. (See Note 4. Regulatory Matters.) Earnings per share dilution in 2018 was $0.04 due to additional shares of common stock outstanding as of December 31, 2018.

Regulated Operations net income attributable to ALLETE was $131.0 million in 2018, compared to $128.4 million in 2017. Net income at Minnesota Power was higher than 2017 reflecting the non-cash $11.4 million after-tax charge in 2017 for the MPUC's decision in Minnesota Power's 2016 general rate case disallowing recovery of Minnesota Power's regulatory asset for deferred fuel adjustment clause costs. Net income in 2018 included lower transmission revenue resulting from lower MISO-related revenue and a $3.1 million after-tax out-of-period adjustment for an estimated true-up of MISO rates that were billed in 2017 and are expected to be credited to customers in 2019, the timing of fuel adjustment clause recoveries, lower industrial sales, and higher property tax and interest expense. These decreases were partially offset by lower operating and maintenance expense, higher pricing on PSAs with Other Power Suppliers, increased cost recovery rider revenue, and higher sales to residential and commercial customers due to more favorable weather conditions in 2018. Net income in 2018 also included higher depreciation expense resulting from a reduction in the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035, which was offset by the benefits of the lower federal income tax rate enacted as part of the TCJA. Net income at SWL&P and our after-tax equity earnings in ATC were similar to 2017.

2018 Financial Overview (Continued)

ALLETE Clean Energy net income attributable to ALLETE was $33.7 million in 2018 compared to $41.5 million in 2017. Net income in 2017 included a $23.6 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. Net income in 2018 included the sale of a wind energy facility to Montana-Dakota Utilities, a lower federal income tax rate enacted as part of the TCJA and $7.4 million after-tax of additional production tax credits generated as ALLETE Clean Energy continues to execute its refurbishment strategy. Of the $7.4 million after-tax in additional production tax credits, $3.0 million resulted from the retrospective qualification of additional wind turbine generators in 2016 and 2017. These increases were partially offset by higher operating and maintenance expenses.

U.S. Water Services net income attributable to ALLETE was $3.2 million in 2018, compared to $10.7 million in 2017. Net income in 2017 included a $9.2 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. Net income in 2018 included increased revenue primarily due to higher capital project sales and higher sales of chemicals and related services, partially offset by higher operating expenses. Net income in 2018 included $0.6 million of after-tax expense recognized as cost of sales related to purchase accounting for sales backlog.

Corporate and Other net income attributable to ALLETE was $6.2 million in 2018 compared to a net loss of $8.4 million in 2017. The net loss in 2017 included additional income tax expense of $19.8 million after-tax for the remeasurement of deferred income tax assets and liabilities resulting from the TCJA and a $7.9 million after-tax favorable impact for the regulatory outcome of the MPUC's modification of its November 2016 order on the allocation of North Dakota investment tax credits. Net income in 2018 included an increase for the change in fair value of the contingent consideration liability of $1.3 million after-tax as compared to 2017.

2018 Compared to 2017

(See Note 17. Business Segments for financial results by segment.)

Regulated Operations

Year Ended December 31	2018	2017
Millions		
Operating Revenue – Utility	$1,059.5	$1,063.8
Fuel, Purchased Power and Gas – Utility	407.5	396.9
Transmission Services – Utility	69.9	71.2
Operating and Maintenance	220.1	227.3
Depreciation and Amortization	158.0	132.6
Taxes Other than Income Taxes	52.5	51.1
Operating Income	151.5	184.7
Interest Expense	(60.2)	(57.0)
Equity Earnings in ATC	17.5	22.5
Other Income	6.7	5.4
Income Before Income Taxes	115.5	155.6
Income Tax Expense (Benefit)	(15.5)	27.2
Net Income Attributable to ALLETE	$131.0	$128.4

Operating Revenue – Utility decreased $4.3 million from 2017 primarily due to lower transmission revenue, the impact of a regulatory outcome in 2017 related to the allocation of North Dakota investment tax credits, provision for tax reform refund related to income tax changes resulting from the TCJA, and lower financial incentives under the Minnesota conservation improvement program, partially offset by higher revenue from kWh sales, cost recovery rider revenue, fuel clause adjustment recoveries, and conservation improvement program recoveries.

Transmission revenue decreased $15.0 million primarily due to lower MISO-related revenue and a $4.4 million out-of-period adjustment for an estimated true-up of MISO rates that were billed in 2017 and are expected to be credited to customers in 2019.

Revenue decreased $14.0 million due to the impact of a regulatory outcome in 2017 related to the allocation of North Dakota investment tax credits. This decrease in revenue was offset by the income tax impacts of the regulatory outcome resulting in no impact to net income for Regulated Operations. (See Note 4. Regulatory Matters and *Income Tax Expense*.)

Revenue decreased $11.9 million from 2017 reflecting income tax changes resulting from the TCJA primarily related to a provision for tax reform refund for the benefit of excess deferred income taxes in 2018. We have recorded the benefit of these excess deferred income taxes for Minnesota Power and SWL&P as regulatory liabilities. (See Note 4. Regulatory Matters.)

Financial incentives under the Minnesota conservation improvement program were lower by $2.5 million from 2017 as a result of MPUC-approved modifications to the mechanism for calculating the financial incentives.

Interim retail rates of $29.5 million collected in 2018 were fully offset by the recognition of a corresponding reserve throughout the year. In the fourth quarter of 2017, Minnesota Power recognized interim retail rate refund reserves of $31.6 million to fully offset interim retail rates collected throughout the year in 2017 due to the regulatory outcome of the MPUC's decision in Minnesota Power's 2016 general rate case at a hearing on January 18, 2018.

Revenue increased $13.5 million from 2017 reflecting higher kWh sales to Residential and Commercial customers, and higher pricing on sales to Other Power Suppliers. Sales to Residential and Commercial customers increased in 2018 primarily due to more favorable weather conditions in 2018 compared to 2017. Sales to Industrial customers decreased 0.9 percent reflecting lower sales to UPM Blandin as a result of the closure of the smaller of its two paper machines in the fourth quarter of 2017 and Husky Energy due to an April 2018 fire at its refinery in Superior, Wisconsin, partially offset by increased taconite production. Revenue from Other Power Suppliers increased due to higher pricing on sales, partially offset by a 2.1 percent decrease in kWh sales from 2017. Sales to Other Power Suppliers are sold at market-based prices into the MISO market on a daily basis or through PSAs of various durations.

Kilowatt-hours Sold	2018	2017	Quantity Variance	% Variance
Millions				
Regulated Utility				
Retail and Municipal				
Residential	1,140	1,096	44	4.0
Commercial	1,426	1,420	6	0.4
Industrial	7,261	7,327	(66)	(0.9)
Municipal	798	799	(1)	(0.1)
Total Retail and Municipal	10,625	10,642	(17)	(0.2)
Other Power Suppliers	3,953	4,039	(86)	(2.1)
Total Regulated Utility Kilowatt-hours Sold	14,578	14,681	(103)	(0.7)

Revenue from electric sales to taconite and iron concentrate customers accounted for 21 percent of consolidated operating revenue in 2018 (22 percent in 2017). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 4 percent of consolidated operating revenue in 2018 (5 percent in 2017). Revenue from electric sales to pipelines and other industrial customers accounted for 6 percent of consolidated operating revenue in 2018 (7 percent in 2017).

Cost recovery rider revenue increased $13.0 million primarily due to higher expenditures related to the construction of the GNTL and fewer production tax credits recognized by Minnesota Power. If production tax credits are recognized at a level below those assumed in Minnesota Power's base rates, an increase in cost recovery rider revenue is recognized to offset the impact of lower production tax credits on income tax expense.

Fuel adjustment clause recoveries increased $7.9 million due to higher fuel and purchased power costs attributable to retail and municipal customers.

Conservation improvement program recoveries increased $3.5 million from 2017 primarily due to an increase in related expenditures. (See *Operating Expenses - Operating and Maintenance.*)

2018 Compared to 2017 (Continued)
Regulated Operations (Continued)

Operating Expenses increased $28.9 million, or 3 percent, from 2017.

Fuel, Purchased Power and Gas – Utility expense increased $10.6 million, or 3 percent, from 2017 primarily due to higher purchased power prices and higher fuel costs, partially offset by a $19.5 million expense in 2017 for the MPUC's decision disallowing recovery of Minnesota Power's regulatory asset for deferred fuel adjustment clause costs. At a hearing on January 18, 2018, the MPUC disallowed Minnesota Power's regulatory asset for deferred fuel adjustment clause costs due to the anticipated adoption of a forward-looking fuel adjustment clause methodology resulting in a $19.5 million charge in the fourth quarter of 2017. Fuel and purchased power expense related to our retail and municipal customers is recovered through the fuel adjustment clause. (See *Operating Revenue – Utility.*)

Operating and Maintenance expense decreased $7.2 million, or 3 percent, from 2017 primarily due to lower salary and benefit expenses, and lower materials purchased for generation facilities, partially offset by a $3.5 million increase in conservation improvement program expenses and additional severance expense of $1.9 million in 2018. (See *Operating Revenue – Utility.*)

Depreciation and Amortization expense increased $25.4 million, or 19 percent, from 2017 primarily due to modifications of the depreciable lives for Boswell and additional property, plant and equipment in service. As part of its decision in Minnesota Power's 2016 general rate case, the MPUC extended the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2050, and shortened the depreciable lives of Boswell Unit 1 and Unit 2 to 2022, resulting in a net decrease to depreciation expense of approximately $25 million in 2017. Subsequently, as part of the reconsideration of its decision in Minnesota Power's 2016 general rate case, the MPUC reduced the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035, resulting in higher depreciation expense in 2018. The increase in depreciation expense in 2018 was offset mostly by the benefits of the lower federal income tax rate enacted as part of the TCJA. (See Note 4. Regulatory Matters and *Income Tax Benefit*.)

Interest Expense increased $3.2 million, or 6 percent, from 2017 primarily due to higher average long-term debt balances, higher interest rates and $0.5 million of interest on Minnesota Power's reserve for interim rate refunds. We record interest expense for Regulated Operations primarily based on rate base and authorized capital structure, and allocate the balance to Corporate and Other.

Equity Earnings in ATC decreased $5.0 million, or 22 percent, from 2017 primarily due to the federal income tax rate change enacted as part of the TCJA, partially offset by additional investments in ATC. (See Note 5. Equity Investments.)

Income Tax Benefit was $15.5 million in 2018 compared to income tax expense of $27.2 million in 2017. The income tax benefit in 2018 reflects the reduction of the federal income tax rate from 35 percent to 21 percent enacted as part of the TCJA, the amortization of excess deferred income tax benefit resulting from the TCJA and lower pre-tax income. Income tax expense in 2017 included the impact of a regulatory outcome in 2017 related to the allocation of North Dakota investment tax credits.

In 2017, as a result of the favorable impact for the regulatory outcome of the MPUC's modification of its November 2016 order on the allocation of North Dakota investment tax credits, Regulated Operations increased operating revenue and reduced the corresponding regulatory liability by $14.0 million resulting in an income tax expense of $6.1 million. In addition, Regulated Operations recorded an income tax expense of $7.9 million for North Dakota investment tax credits transferred to Corporate and Other, resulting in no impact to net income for Regulated Operations. Corporate and Other recorded an offsetting income tax benefit of $7.9 million for the North Dakota investment tax credits transferred from Regulated Operations. (See Note 4. Regulatory Matters.)

ALLETE Clean Energy

Year Ended December 31	2018	2017
Millions		
Operating Revenue	$159.9	$80.5
Net Income Attributable to ALLETE *(a)*	$33.7	$41.5

(a) Results in 2017 include a $23.6 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

Operating Revenue increased $79.4 million from 2017 due to the sale of a wind energy facility to Montana-Dakota Utilities in 2018.

	Year Ended December 31,			
	2018		2017	
Production and Operating Revenue	**kWh**	**Revenue**	**kWh**	**Revenue**
Millions				
Wind Energy Facility				
Lake Benton	220.1	$11.9	241.8	$12.3
Storm Lake II	134.8	9.5	152.6	10.0
Condon	99.6	8.1	90.7	7.5
Storm Lake I	191.8	11.7	215.6	12.4
Chanarambie/Viking	244.9	13.5	263.5	13.9
Armenia Mountain	264.5	24.1	267.4	24.4
Total Wind Energy Facilities	1,155.7	78.8	1,231.6	80.5
Sale of Wind Energy Facility *(a)*	—	81.1	—	—
Total Production and Operating Revenue	1,155.7	$159.9	1,231.6	$80.5

(a) 2018 included the recognition of $67.4 million of cost of sales related to the sale of a wind energy facility.

Net Income Attributable to ALLETE decreased $7.8 million from 2017. Net income in 2017 included a $23.6 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. Net income in 2018 included the sale of a wind energy facility to Montana-Dakota Utilities, a lower federal income tax rate enacted as part of the TCJA and $7.4 million after-tax of additional production tax credits generated as ALLETE Clean Energy continues to execute its refurbishment strategy. Of the $7.4 million after-tax in additional production tax credits, $3.0 million resulted from the retrospective qualification of additional wind turbine generators in 2016 and 2017. These increases were partially offset by higher operating and maintenance expenses.

U.S. Water Services

Year Ended December 31	**2018**	**2017**
Millions		
Operating Revenue	$172.1	$151.8
Net Income Attributable to ALLETE *(a)*	$3.2	$10.7

(a) Results in 2017 include a $9.2 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

Operating Revenue increased $20.3 million, or 13 percent, from 2017. Revenue from chemical sales and related services was $138.6 million in 2018 compared to $132.0 million in 2017. Revenue from capital projects was $33.5 million for 2018 compared to $19.8 million in 2017; capital project sales can significantly fluctuate from period to period. Revenue in 2018 reflected a full year of sales from Tonka Water, which was acquired in September 2017.

Net Income Attributable to ALLETE decreased $7.5 million from 2017. Net income in 2017 included a $9.2 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. Net income in 2018 included increased revenue primarily due to higher capital project sales and higher sales of chemicals and related services, partially offset by higher operating expenses. Net income in 2018 included $0.6 million of after-tax expense recognized as cost of sales related to purchase accounting for sales backlog.

Cash flow from operations for U.S. Water Services was approximately $5 million in 2018 compared to approximately $12 million in 2017.

Corporate and Other

Operating Revenue decreased $16.1 million, or 13 percent, from 2017 primarily due to a decrease in land sales at ALLETE Properties and lower revenue at BNI Energy, which operates under cost-plus fixed fee contracts, as a result of lower expenses and fewer tons sold in 2018 compared to 2017.

2018 Compared to 2017 (Continued)
Corporate and Other (Continued)

Net Income Attributable to ALLETE was $6.2 million in 2017 compared to a net loss of $8.4 million in 2017. The net loss in 2017 included additional income tax expense of $19.8 million after-tax for the remeasurement of deferred income tax assets and liabilities resulting from the TCJA and a $7.9 million after-tax favorable impact for the regulatory outcome of the MPUC's modification of its November 2016 order on the allocation of North Dakota investment tax credits. Net income in 2018 included an increase for the change in fair value of the contingent consideration liability of $1.3 million after-tax.

Net income at BNI Energy was $6.8 million in 2018 compared to $4.5 million in 2017. Net income in 2017 included a $3.1 million after-tax expense due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. The net loss at ALLETE Properties was $0.5 million in 2018 compared to a net loss of $8.8 million in 2017. The net loss in 2017 included a $7.8 million after-tax expense for the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

Income Taxes – Consolidated

For the year ended December 31, 2018, the effective tax rate was a benefit of 9.8 percent (expense of 7.9 percent for the year ended December 31, 2017). The decrease from 2017 was primarily due to the reduction of the federal income tax rate from 35 percent to 21 percent enacted as part of the TCJA, the amortization of excess deferred income tax benefit resulting from the TCJA and lower pre-tax income in 2018, partially offset by the remeasurement of deferred income tax assets and liabilities resulting from the TCJA in 2017. The effective rate deviated from the combined statutory rate of approximately 28 percent primarily due to production tax credits. (See Note 13. Income Tax Expense.)

2017 Compared to 2016

(See Note 17. Business Segments for financial results by segment.)

Regulated Operations

Year Ended December 31	2017	2016
Millions		
Operating Revenue – Utility	$1,063.8	$1,000.7
Fuel, Purchased Power and Gas – Utility	396.9	339.9
Transmission Services – Utility	71.2	65.2
Operating and Maintenance	227.3	227.5
Depreciation and Amortization	132.6	154.3
Taxes Other than Income Taxes	51.1	47.7
Operating Income	184.7	166.1
Interest Expense	(57.0)	(52.1)
Equity Earnings in ATC	22.5	18.5
Other Income	5.4	8.9
Income Before Income Taxes	155.6	141.4
Income Tax Expense	27.2	5.9
Net Income Attributable to ALLETE	$128.4	$135.5

Operating Revenue – Utility increased $63.1 million, or 6 percent, from 2016 primarily due to the period over period impact of the regulatory outcomes related to the allocation of North Dakota investment tax credits, as well as higher fuel adjustment clause recoveries, conservation improvement program recoveries and revenue from kWh sales, partially offset by lower FERC formula-based rates, financial incentives under the conservation improvement program and transmission revenue. Interim retail rate refund reserves fully offset the interim retail rates recognized during 2017.

Revenue increased $29.0 million due to the period over period impact of the regulatory outcomes related to the allocation of North Dakota investment tax credits. As a result of the favorable impact for the regulatory outcome of the MPUC's modification of its 2016 order on the allocation of North Dakota investment tax credits, operating revenue increased $14.0 million in 2017. In 2016, operating revenue decreased $15.0 million as a result of the adverse impact for the regulatory outcome of the 2016 MPUC order. (See Note 4. Regulatory Matters.)

2017 Compared to 2016 (Continued)
Regulated Operations (Continued)

Fuel adjustment clause recoveries increased $24.4 million due to higher fuel and purchased power costs attributable to retail and municipal customers. (See *Operating Expenses - Fuel, Purchased Power and Gas – Utility.*)

Conservation improvement program recoveries increased $7.2 million from 2016 primarily due to an increase in related expenditures. (See *Operating Expenses - Operating and Maintenance.*)

Revenue from kWh sales increased $3.9 million from 2016 primarily due to higher sales to Industrial customers. Sales to Industrial customers increased 13.5 percent primarily due to increased taconite production and the commencement of a long-term PSA with Silver Bay Power in 2016. Sales to Other Power Suppliers decreased 6.4 percent from 2016 as a result of increased sales to Industrial customers. Sales to Other Power Suppliers are sold at market-based prices into the MISO market on a daily basis or through bilateral agreements of various durations; market prices were lower in 2017 compared to 2016. Sales to Residential, Commercial and Municipal customers decreased primarily due to milder temperatures in 2017.

Kilowatt-hours Sold	2017	2016	Quantity Variance	% Variance
Millions				
Regulated Utility				
Retail and Municipal				
Residential	1,096	1,102	(6)	(0.5)
Commercial	1,420	1,442	(22)	(1.5)
Industrial	7,327	6,456	871	13.5
Municipal	799	816	(17)	(2.1)
Total Retail and Municipal	10,642	9,816	826	8.4
Other Power Suppliers	4,039	4,316	(277)	(6.4)
Total Regulated Utility Kilowatt-hours Sold	14,681	14,132	549	3.9

Revenue from electric sales to taconite and iron concentrate customers accounted for 22 percent of consolidated operating revenue in 2017 (18 percent in 2016). Revenue from electric sales to paper, pulp and secondary wood product customers accounted for 5 percent of consolidated operating revenue in 2017 (6 percent in 2016). Revenue from electric sales to pipelines and other industrial customers accounted for 7 percent of consolidated operating revenue in 2017 (7 percent in 2016).

Interim retail rates for Minnesota Power were approved by the MPUC and became effective on January 1, 2017. Interim retail rate refund reserves of $31.6 million fully offset the interim retail rates recognized during 2017 due to the regulatory outcome of the MPUC's decision in Minnesota Power's 2016 general rate case on January 18, 2018. (See Note 4. Regulatory Matters.)

Revenue from wholesale customers under FERC formula-based rates decreased $4.9 million from 2016 primarily due to lower rates.

Financial incentives under the conservation improvement program decreased $1.9 million from 2016.

Transmission revenue decreased $1.7 million primarily due to lower MISO-related revenue, partially offset by period over period changes in the estimate of a refund liability related to MISO return on equity complaints. (See *Operating Expenses - Transmission Services – Utility.*)

Operating Expenses increased $44.5 million, or 5 percent, from 2016.

Fuel, Purchased Power and Gas – Utility expense increased $57.0 million, or 17 percent, from 2016 primarily due to increased kWh sales, higher fuel costs and a $19.5 million expense for the MPUC's decision disallowing recovery of Minnesota Power's regulatory asset for deferred fuel adjustment clause costs at a hearing on January 18, 2018, due to the anticipated adoption of a forward-looking fuel adjustment clause methodology. These increases were partially offset by lower purchased power prices. Fuel and purchased power expense related to our retail and municipal customers is recovered through the fuel adjustment clause. (See *Operating Revenue – Utility.*)

2017 Compared to 2016 (Continued)
Regulated Operations (Continued)

Transmission Services – Utility expense increased $6.0 million, or 9 percent, from 2016 primarily due to higher MISO-related expense. (See *Operating Revenue – Utility.*)

Depreciation and Amortization expense decreased $21.7 million, or 14 percent, from 2016 primarily due to modifications of the depreciable lives for Boswell, partially offset by additional property, plant and equipment in service. At a hearing on January 18, 2018, the MPUC extended the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2050, and shortened the depreciable lives of Boswell Unit 1 and Unit 2 to 2022, resulting in a net decrease to depreciation expense of approximately $25 million in 2017.

Taxes Other than Income Taxes increased $3.4 million, or 7 percent, from 2016 primarily due to higher property tax expenses resulting from higher taxable plant.

Interest Expense increased $4.9 million, or 9 percent, from 2016 primarily due to higher average interest rates. We record interest expense for Regulated Operations primarily based on rate base and authorized capital structure, and allocate the balance to Corporate and Other.

Equity Earnings in ATC increased $4.0 million, or 22 percent, from 2016 primarily due to additional investments in ATC and period over period changes in ATC's estimate of a refund liability related to MISO return on equity complaints. (See Note 5. Equity Investments.)

Income Tax Expense increased $21.3 million, from 2016 due to the period over period impact of the regulatory outcomes related to the allocation of North Dakota investment tax credits and higher pre-tax income. The TCJA did not have an impact on income tax expense for our Regulated Operations as the remeasurement of deferred income tax assets and liabilities primarily resulted in the recording of regulatory assets and liabilities.

In 2017, as a result of the favorable impact for the regulatory outcome of the MPUC's modification of its 2016 order on the allocation of North Dakota investment tax credits, Regulated Operations increased operating revenue and reduced the corresponding regulatory liability by $14.0 million resulting in an income tax expense of $6.1 million. In addition, Regulated Operations recorded an income tax expense of $7.9 million for North Dakota investment tax credits transferred to Corporate and Other, resulting in no impact to net income for Regulated Operations. Corporate and Other recorded an offsetting income tax benefit of $7.9 million for the North Dakota investment tax credits transferred from Regulated Operations.

In 2016, as a result of the adverse impact for the regulatory outcome of the 2016 MPUC order, Regulated Operations reduced operating revenue and recorded a corresponding regulatory liability for $15.0 million resulting in an income tax benefit of $6.2 million. In addition, Regulated Operations recorded an income tax benefit of $8.8 million for North Dakota investment tax credits transferred from Corporate and Other, resulting in no impact to net income for Regulated Operations. Corporate and Other recorded an offsetting income tax expense of $8.8 million for the North Dakota investment tax credits transferred to Regulated Operations.

ALLETE Clean Energy

Year Ended December 31,	2017	2016
Millions		
Operating Revenue	$80.5	$80.5
Net Income Attributable to ALLETE *(a)*	$41.5	$13.4

(a) Results in 2017 include a $23.6 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

Operating Revenue is consistent with 2016 as lower kWh sales at the wind energy facilities resulting from lower wind resources were offset by higher amortization of PSAs. (See Note 1. Operations and Significant Accounting Policies.)

	Year Ended December 31,			
	2017		2016	
Production and Operating Revenue	**kWh**	**Revenue**	**kWh**	**Revenue**
Millions				
Wind Energy Facility				
Lake Benton	241.8	$12.3	254.7	$12.8
Storm Lake II	152.6	10.0	154.8	10.1
Condon	90.7	7.5	96.9	8.2
Storm Lake I	215.6	12.4	222.3	11.6
Chanarambie/Viking	263.5	13.9	278.8	13.4
Armenia Mountain	267.4	24.4	268.2	24.4
Total Production and Operating Revenue	1,231.6	$80.5	1,275.7	$80.5

Net Income Attributable to ALLETE increased $28.1 million from 2016. Net income in 2017 included a $23.6 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA, increased production tax credits due to the requalification of WTGs at ALLETE Clean Energy's Storm Lake I, Storm Lake II and Lake Benton wind energy facilities, lower operating and maintenance expense, and lower interest expense compared to 2016. Net income in 2016 included a $3.3 million after-tax goodwill impairment charge and a $0.9 million after-tax expense related to the repayment of long-term debt. Net income in 2016 also included an allocation of earnings to a non-controlling interest in the limited liability company that owns the Condon wind energy facility, which was acquired by ALLETE Clean Energy in April 2016. (See Note 6. Acquisitions.)

U.S. Water Services

Year Ended December 31	**2017**	**2016**
Millions		
Operating Revenue	$151.8	$137.5
Net Income Attributable to ALLETE *(a)*	$10.7	$1.5

(a) Results in 2017 include a $9.2 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

Operating Revenue increased $14.3 million from 2016 primarily due to the acquisitions of WEST in 2016 and Tonka Water in September 2017. (See Note 6. Acquisitions.) Revenue from chemical sales and related services was $132.0 million in 2017 compared to $124.3 million in 2016. Revenue from capital project sales was $19.8 million for 2017 compared to $13.2 million in 2016; capital project sales can significantly fluctuate from period to period.

Net Income Attributable to ALLETE increased $9.2 million from 2016. Net income in 2017 included a $9.2 million after-tax benefit due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA, and higher operating revenue, partially offset by increased operating expenses as a result of investments for future growth in waste treatment and water safety applications. Net income in 2017 also included a net loss of $0.8 million primarily for transaction fees and amortization expense of the Tonka Water acquisition in September 2017. (See Note 6. Acquisitions.)

Corporate and Other

Operating Revenue increased $2.2 million, or 2 percent, from 2016 primarily due to an increase in revenue at BNI Energy, which operates under cost-plus fixed fee contracts, as a result of higher expenses and record coal sales in 2017, partially offset by a decrease in land sales at ALLETE Properties. Operating revenue in 2016 included the sale of ALLETE Properties' Ormond Crossings project and Lake Swamp wetland mitigation bank for approximately $21 million.

2017 Compared to 2016 (Continued)
Corporate and Other (Continued)

Net Loss Attributable to ALLETE was $8.4 million in 2017 compared to net income of $4.9 million in 2016. The net loss in 2017 included a $19.8 million after-tax expense due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. The net loss in 2017 also included a $7.9 million after-tax favorable impact for the regulatory outcome of the MPUC's modification of its 2016 order on the allocation of North Dakota investment tax credits, lower accretion expense relating to the contingent consideration liability, and lower interest expense. Net income in 2016 included an after-tax gain of $13.6 million related to the change in fair value of the contingent consideration liability, partially offset by an $8.8 million after-tax adverse impact for the regulatory outcome of the 2016 MPUC order.

Net income at BNI Energy was $4.5 million in 2017 which included a $3.1 million after-tax expense due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA, partially offset by more tons sold; net income in 2016 was $6.8 million. The net loss at ALLETE Properties was $8.8 million in 2017 which included a $7.8 million after-tax expense for the remeasurement of deferred income tax assets and liabilities resulting from the TCJA; net income in 2016 was $0.7 million.

Income Taxes – Consolidated

For the year ended December 31, 2017, the effective tax rate was 7.9 percent (11.3 percent for the year ended December 31, 2016). The decrease from 2016 was primarily due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA and increased production tax credits, partially offset by higher pre-tax income. (See *Regulated Operations - Income Tax Expense*.) The effective rate deviated from the combined statutory rate of approximately 41 percent primarily due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA, and production tax credits. (See Note 13. Income Tax Expense.)

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with GAAP requires management to make various estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. These estimates and assumptions may be revised, which may have a material effect on the Consolidated Financial Statements. Actual results may differ from these estimates and assumptions. These policies are discussed with the Audit Committee of our Board of Directors on a regular basis. We believe the following policies are most critical to our business and the understanding of our results of operations.

Regulatory Accounting. Our regulated utility operations are accounted for in accordance with the accounting standards for the effects of certain types of regulation. These standards require us to reflect the effect of regulatory decisions in our financial statements. Regulatory assets represent incurred costs that have been deferred as they are probable for recovery in customer rates. Regulatory liabilities represent obligations to make refunds to customers and amounts collected in rates for which the related costs have not yet been incurred. The Company assesses quarterly whether regulatory assets and liabilities meet the criteria for probability of future recovery or deferral. This assessment considers factors such as, but not limited to, changes in the regulatory environment and recent rate orders to other regulated entities under the same jurisdiction. If future recovery or refund of costs becomes no longer probable, the assets and liabilities would be recognized in current period net income or other comprehensive income. (See Note 4. Regulatory Matters.)

Critical Accounting Policies (Continued)

Pension and Postretirement Health and Life Actuarial Assumptions. We account for our pension and other postretirement benefit obligations in accordance with the accounting standards for defined benefit pension and other postretirement plans. These standards require the use of several important assumptions, including the expected long-term rate of return on plan assets, the discount rate and mortality assumptions, among others, in determining our obligations and the annual cost of our pension and other postretirement benefits. In establishing the expected long-term rate of return on plan assets, we determine the long-term historical performance of each asset class and adjust these for current economic conditions while utilizing the target allocation of our plan assets to forecast the expected long-term rate of return. Our pension asset allocation as of December 31, 2018, was approximately 32 percent equity securities, 60 percent fixed income, 5 percent private equity and 3 percent real estate. Our postretirement health and life asset allocation as of December 31, 2018, was approximately 62 percent equity securities, 34 percent fixed income and 4 percent private equity. Equity securities consist of a mix of market capitalization sizes with domestic and international securities. In 2018, we used expected long-term rates of return of 7.50 percent in our actuarial determination of our pension expense and 6.00 percent to 7.50 percent in our actuarial determination of our other postretirement expense. The actuarial determination uses an asset smoothing methodology for actual returns to reduce the volatility of varying investment performance over time. We review our expected long-term rate of return assumption annually and will adjust it to respond to changing market conditions. A one-quarter percent decrease in the expected long-term rate of return would increase the annual expense for pension and other postretirement benefits by approximately $1.8 million, pre-tax.

The discount rate is computed using a bond matching study which utilizes a portfolio of high quality bonds that produce cash flows similar to the projected costs of our pension and other postretirement plans. In 2018, we used discount rates of 3.81 percent to 3.96 percent and 3.86 percent in our actuarial determination of our pension and other postretirement expense, respectively. We review our discount rates annually and will adjust them to respond to changing market conditions. A one-quarter percent decrease in the discount rate would increase the annual expense for pension and other postretirement benefits by approximately $1.7 million, pre-tax.

The mortality assumptions used to calculate our pension and other postretirement benefit obligations as of December 31, 2018, considered a modified RP-2014 mortality table and mortality projection scale. (See Note 15. Pension and Other Postretirement Benefit Plans.)

Impairment of Long-Lived Assets. We review our long-lived assets, which include the legacy real estate assets of ALLETE Properties, for indicators of impairment in accordance with the accounting standards for property, plant and equipment on a quarterly basis.

In accordance with the accounting standards for property, plant and equipment, if indicators of impairment exist, we test our long-lived assets for recoverability by comparing the carrying amount of the asset to the undiscounted future net cash flows expected to be generated by the asset. Cash flows are assessed at the lowest level of identifiable cash flows. The undiscounted future net cash flows are impacted by trends and factors known to us at the time they are calculated and our expectations related to: management's best estimate of future sales prices; holding period and timing of sales; method of disposition; and future expenditures necessary to maintain the operations.

Taxation. We are required to make judgments regarding the potential tax effects of various financial transactions and our ongoing operations to estimate our obligations to taxing authorities. These tax obligations include income taxes and taxes other than income taxes. Judgments related to income taxes require the recognition in our financial statements of the largest tax benefit of a tax position that is "more-likely-than-not" to be sustained on audit. Tax positions that do not meet the "more-likely-than-not" criteria are reflected as a tax liability in accordance with the accounting standards for uncertainty in income taxes. We record a valuation allowance against our deferred tax assets to the extent it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

We are subject to income taxes in various jurisdictions. We make assumptions and judgments each reporting period to estimate our income tax assets, liabilities, benefits and expenses. Judgments and assumptions are supported by historical data and reasonable projections. Our assumptions and judgments include the application of tax statutes and regulations, and projections of future federal taxable income, state taxable income, and state apportionment to determine our ability to utilize NOL and credit carryforwards prior to their expiration. Significant changes in assumptions regarding future federal and state taxable income or a change in tax rates could require new or increased valuation allowances which could result in a material impact on our results of operations.

Critical Accounting Policies (Continued)

Valuation of Goodwill and Intangible Assets. When we acquire a business, the assets acquired and liabilities assumed are recorded at their respective fair values as of the acquisition date. Determining the fair value of intangible assets acquired as part of a business combination requires us to make significant estimates. These estimates include the amount and timing of projected future cash flows, the discount rate used to discount those cash flows to present value, the assessment of the asset's life cycle, and the consideration of legal, technical, regulatory, economic and competitive risks. The fair value assigned to intangible assets is determined by estimating the future cash flows of each project and discounting the net cash flows back to their present values. The discount rate used is determined at the time of measurement in accordance with accepted valuation standards.

Goodwill. Goodwill is the excess of the purchase price (consideration transferred) over the estimated fair value of net assets of acquired businesses. In accordance with GAAP, goodwill is not amortized. The Company assesses whether there has been an impairment of goodwill annually in the fourth quarter and whenever an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at the reporting unit level. An impairment loss is recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The test for impairment requires us to make several estimates about fair value, most of which are based on projected future cash flows. Our estimates associated with the goodwill impairment test are considered critical due to the amount of goodwill recorded on our Consolidated Balance Sheet and the judgment required in determining fair value, including projected future cash flows. The results of our annual impairment test are discussed in Note 1. Operations and Significant Accounting Policies and Note 9. Fair Value in this Form 10-K. Goodwill was $148.5 million and $148.3 million as of December 31, 2018, and December 31, 2017, respectively.

Intangible Assets. Intangible assets include customer relationships, patents, non-compete agreements, land easements, trademarks and trade names. Intangible assets with definite lives consist of customer relationships, which are amortized using an attrition model, and patents, non-compete agreements, land easements and certain trade names, which are amortized on a straight-line basis with estimated useful lives ranging from approximately 4 years to approximately 19 years. We review definite-lived intangible assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets consist of trademarks and certain trade names, which are tested for impairment annually in the fourth quarter and whenever an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Impairment is calculated as the excess of the asset's carrying amount over its fair value. Our impairment reviews are based on an estimated future cash flow approach that requires significant judgment with respect to future revenue and expense growth rates, selection of an appropriate discount rate, and other assumptions and estimates. We use estimates that are consistent with our business plans and a market participant view of the assets being evaluated. The results of our annual impairment test are discussed in Note 9. Fair Value in this Form 10-K. Intangible assets, net of accumulated amortization, were $74.8 million and $77.6 million as of December 31, 2018, and December 31, 2017, respectively.

Outlook

ALLETE is an energy company committed to earning a financial return that rewards our shareholders, allows for reinvestment in our businesses and sustains growth. The Company has long-term objectives of achieving average annual earnings per share growth of 5 percent to 7 percent, and providing a dividend payout competitive with our industry. Regulated Operations is projected to have average annual earnings growth of 4 percent to 5 percent and our Energy Infrastructure and Related Services businesses are projected to have average annual earnings growth of at least 15 percent over the long-term.

ALLETE is predominately a regulated utility through Minnesota Power, SWL&P and an investment in ATC. ALLETE's strategy is to remain predominately a regulated utility while investing in its Energy Infrastructure and Related Services businesses to complement its regulated businesses, balance exposure to the utility's industrial customers and provide potential long-term earnings growth. ALLETE expects net income from Regulated Operations to be approximately 80 percent of total consolidated net income in 2019. Over the next several years, the contribution of the Energy Infrastructure and Related Services businesses to net income is expected to increase as ALLETE grows these operations. ALLETE expects its businesses to provide regulated, contracted or recurring revenues, and to support sustained growth in net income and cash flow.

On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million, subject to adjustment at closing, such as for changes in working capital. The transaction is expected to close by the end of the first quarter of 2019 upon receipt of regulatory approval. ALLETE plans to use the proceeds from the sale of U.S. Water Services primarily to reinvest in growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE will also consider using a portion of the proceeds to implement a common stock repurchase program.

Outlook (Continued)

Regulated Operations. Minnesota Power's long-term strategy is to be the leading electric energy provider in northeastern Minnesota by providing safe, reliable and cost-competitive electric energy, while complying with environmental permit conditions and renewable energy requirements. Keeping the cost of energy production competitive enables Minnesota Power to effectively compete in the wholesale power markets and minimizes retail rate increases to help maintain customer viability. As part of maintaining cost competitiveness, Minnesota Power intends to reduce its exposure to possible future carbon and GHG legislation by reshaping its generation portfolio, over time, to reduce its reliance on coal. (See *EnergyForward.*) We will monitor and review proposed environmental regulations and may challenge those that add considerable cost with limited environmental benefit. Minnesota Power will continue to pursue customer growth opportunities and cost recovery rider approvals for transmission, renewable and environmental investments, as well as work with regulators to earn a fair rate of return. Minnesota Power anticipates filing a rate case in the fourth quarter of 2019 with a 2020 test year.

Regulatory Matters. Entities within our Regulated Operations segment are under the jurisdiction of the MPUC, FERC, PSCW and NDPSC. See Note 4. Regulatory Matters for discussion of regulatory matters within these jurisdictions.

2016 Minnesota General Rate Case. In November 2016, Minnesota Power filed a retail rate increase request with the MPUC which sought an average increase of approximately 9 percent for retail customers. The rate filing sought a return on equity of 10.25 percent and a 53.81 percent equity ratio. The MPUC issued an order dated March 12, 2018, in Minnesota Power's general rate case approving a return on common equity of 9.25 percent and a 53.81 percent equity ratio. Final rates went into effect on December 1, 2018, which is expected to result in additional revenue of approximately $13 million on an annualized basis. Interim rates were collected from January 1, 2017, through November 30, 2018, which were fully offset by the recognition of a corresponding reserve. Minnesota Power has recorded a reserve for an interim rate refund, net of discounts provided to EITE customers, of $40.0 million as of December 31, 2018 ($23.7 million as of December 31, 2017) which is expected to be refunded in 2019. The MPUC also disallowed Minnesota Power's regulatory asset for deferred fuel adjustment clause costs due to the anticipated adoption of a forward-looking fuel adjustment clause methodology resulting in a $19.5 million pre-tax charge to Fuel, Purchased Power and Gas – Utility in 2017. As part of its decision in Minnesota Power's 2016 general rate case, the MPUC also extended the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2050 primarily to mitigate rate increases for our customers, and shortened the depreciable lives of Boswell Unit 1 and Unit 2 to 2022, resulting in a net decrease to depreciation expense of approximately $25 million in the fourth quarter of 2017.

On April 2, 2018, Minnesota Power filed a petition with the MPUC requesting reconsideration of certain decisions in the MPUC's order dated March 12, 2018. In an order dated May 29, 2018, the MPUC denied Minnesota Power's petition for reconsideration and accepted a Minnesota Department of Commerce request for reconsideration reducing the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035 while utilizing the benefits of the lower federal income tax rate enacted as part of the TCJA to mitigate the impact on customer rates.

Energy-Intensive Trade-Exposed Customer Rates. An EITE customer ratemaking law was enacted in 2015 establishing a Minnesota energy policy to have competitive rates for certain industries such as mining and forest products. The MPUC approved a reduction in rates for EITE customers in a December 2016 order and subsequently approved cost recovery in an April 2017 order. Minnesota Power expects the discount to EITE customers to be approximately $16 million annually based on EITE customer current operating levels. While interim rates were in effect for Minnesota Power's 2016 general rate case, discounts provided to EITE customers offset interim rate refund reserves for non-EITE customers. Minnesota Power provided $16.7 million of discounts to EITE customers during the year ended December 31, 2018 ($8.6 million and none for the years ended December 31, 2017, and 2016, respectively).

2016 Wisconsin General Rate Case. SWL&P's retail rates in 2018 were based on a 2017 PSCW retail rate order effective August 2017 that allowed for a 10.5 percent return on common equity and a 55 percent equity ratio. SWL&P's retail rates prior to August 2017 were based on a 2012 PSCW retail rate order that provided for a 10.9 percent return on equity.

2018 Wisconsin General Rate Case. On May 25, 2018, SWL&P filed a rate increase request with the PSCW requesting an average increase of 2.7 percent for retail customers (2.0 percent increase in electric rates; 2.3 percent increase in natural gas rates; and 0.1 percent increase in water rates). The filing sought an overall return on equity of 10.5 percent and a 55.41 percent equity ratio. In an order dated December 20, 2018, the PSCW approved a rate increase for SWL&P including a return of equity of 10.4 percent and a 55.0 percent equity ratio. Final rates went into effect January 1, 2019, which is expected to result in additional revenue of approximately $1.3 million on an annualized basis.

Outlook (Continued)

Industrial Customers and Prospective Additional Load

Industrial Customers. Electric power is one of several key inputs in the taconite mining, iron concentrate, paper, pulp and secondary wood products, pipeline and other industries. Approximately 50 percent of our regulated utility kWh sales in 2018 (50 percent in 2017 and 45 percent in 2016) were made to our industrial customers. We expect industrial sales of approximately 7.0 million to 7.5 million MWh in 2019 (7.3 million MWh in 2018; 7.3 million MWh in 2017). (See Item 1. Business – Regulated Operations – Electric Sales / Customers.)

Taconite and Iron Concentrate. Minnesota Power's taconite customers are capable of producing up to approximately 41 million tons of taconite pellets annually. Taconite pellets produced in Minnesota are primarily shipped to North American steel making facilities that are part of the integrated steel industry. Steel produced from these North American facilities is used primarily in the manufacture of automobiles, appliances, pipe and tube products for the gas and oil industry, and in the construction industry. Historically, less than 10 percent of Minnesota taconite production has been exported outside of North America. Minnesota Power also has provided electric service to three iron concentrate facilities capable of producing up to approximately 4 million tons of iron concentrate per year. Iron concentrate is used in the production of taconite pellets. These facilities have been idled since at least 2016. On July 17, 2018, ERP Iron Ore announced it would no longer seek to restart its operations. (See *ERP Iron Ore / Magnetation*.)

There has been a general historical correlation between U.S. steel production and Minnesota taconite production. The American Iron and Steel Institute, an association of North American steel producers, reported that U.S. raw steel production operated at approximately 78 percent of capacity in 2018 (74 percent in 2017 and 71 percent in 2016). The World Steel Association, an association of over 160 steel producers, national and regional steel industry associations, and steel research institutes representing approximately 85 percent of world steel production, projected U.S. steel consumption in 2019 will increase by approximately one percent compared to 2018.

Minnesota Power's taconite customers may experience annual variations in production levels due to such factors as economic conditions, short-term demand changes or maintenance outages. We estimate that a one million ton change in Minnesota Power's taconite customers' production would impact our annual earnings per share by approximately $0.04, net of expected power marketing sales at current prices. Changes in wholesale electric prices or customer contractual demand nominations could impact this estimate. Minnesota Power proactively sells power in the wholesale power markets that is temporarily not required by industrial customers to optimize the value of its generating facilities. Long-term reductions in taconite production or a permanent shut down of a taconite customer may lead Minnesota Power to file a general rate case to recover lost revenue.

USS Corporation. In the first quarter of 2017, USS Corporation restarted its Minnesota Ore Operations Keetac plant in Keewatin, Minnesota, which had been idled since 2015. USS Corporation has the capability to produce approximately 5 million tons at its Keetac Plant.

United Taconite. In May 2017, Cliffs announced that production of a fully fluxed taconite pellet has started at its United Taconite facility. The product replaced a flux pellet previously made at Cliffs' indefinitely idled Empire operation in Michigan. United Taconite has the capability to produce approximately 5 million tons of taconite annually.

Northshore Mining. Cliffs has announced that it is investing further in its Minnesota ore operations, specifically it plans to invest approximately $90 million through 2020 to expand capacity for producing direct reduced-grade pellets at Northshore Mining. The additional direct reduced-grade pellets could be sold commercially or used to supply Cliff's planned hot briquetted iron production plant in Toledo, Ohio. Minnesota Power has a PSA through 2031 with Silver Bay Power, which provides the majority of the electric service requirements for Northshore Mining. (See *Silver Bay Power*.)

Silver Bay Power. In 2016, Minnesota Power and Silver Bay Power entered into a PSA through 2031. Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which has been served predominately through self-generation by Silver Bay Power. Through 2019, Minnesota Power will supply Silver Bay Power with at least 50 MW of energy and Silver Bay Power has the option to purchase additional energy from Minnesota Power as it transitions away from self-generation. By December 31, 2019, Silver Bay Power is expected to cease self-generation and Minnesota Power is expected to supply the energy requirements for Silver Bay Power.

Outlook (Continued)
Industrial Customers and Prospective Additional Load (Continued)

ERP Iron Ore / Magnetation. In January 2017, ERP Iron Ore purchased substantially all of Magnetation's assets pursuant to an asset purchase agreement approved by the U. S. Bankruptcy Court for the District of Minnesota. These facilities have been idled since at least 2016. On July 17, 2018, ERP Iron Ore filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Minnesota and announced that it would no longer seek to restart its operations. Minnesota Power has reserved for all receivables due from ERP Iron Ore.

Paper, Pulp and Secondary Wood Products. The four major paper and pulp mills we serve reported operating at lower levels in 2018 compared to 2017 resulting from the closure of the smaller of UPM Blandin's two paper machines in the fourth quarter of 2017. (See *UPM Blandin*.) We expect operating levels in 2019 to be similar to 2018.

UPM Blandin. In October 2017, UPM-Kymmene Corporation announced that in light of the global market for graphic papers, and to sustain its competitiveness and leading position in the market, it planned to permanently close the smaller of UPM Blandin's two paper machines located in Grand Rapids, Minnesota; the closure was completed in the fourth quarter of 2017. Paper production related to the other paper machine is planned to continue at UPM Blandin. Minnesota Power provides electric and steam service to UPM Blandin. In October 2018, Minnesota Power amended and extended its electric service agreement with UPM Blandin through 2029, subject to MPUC approval.

Verso Corporation. In the third quarter of 2018, Minnesota Power amended and extended its electric service agreement with Verso Corporation through 2024, which was approved by the MPUC at a hearing on December 20, 2018.

Pipeline and Other Industries.

Husky Energy. On April 26, 2018, a fire at Husky Energy's refinery in Superior, Wisconsin disrupted operations at the facility. Under normal operating conditions, SWL&P provides approximately 14 MW of average monthly demand to Husky Energy in addition to water service. The facility remains at minimal operations, and the refinery is not expected to resume normal operations in 2020.

Prospective Additional Load. Minnesota Power is pursuing new wholesale and retail loads in and around its service territory. Currently, several companies in northeastern Minnesota continue to progress in the development of natural resource-based projects that represent long-term growth potential and load diversity for Minnesota Power. We cannot predict the outcome of these projects.

Nashwauk Public Utilities Commission. Mesabi Metallics is a retail customer of the Nashwauk Public Utilities Commission, and Minnesota Power has a wholesale electric contract with the Nashwauk Public Utilities Commission for electric service through at least December 2032. Mesabi Metallics filed for bankruptcy protection in 2016 under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. In June 2017, the bankruptcy court approved a settlement plan for a consortium led by Chippewa Capital Partners LLC to take control of the project, subject to certain stipulations. In December 2017, Mesabi Metallics emerged from bankruptcy under the ownership of Chippewa Capital Partners LLC.

PolyMet. PolyMet is planning to start a new copper-nickel and precious metal (non-ferrous) mining operation in northeastern Minnesota. In 2015, PolyMet announced the completion of the final EIS by state and federal agencies, which was subsequently published in the Federal Register and Minnesota Environmental Quality Board Monitor. The Minnesota Department of Natural Resources (DNR) issued its Record of Decision in 2016, finding the final EIS adequate. The final EIS also requires Records of Decision by the federal agencies, which are expected in 2019, before final action can be taken on the required federal permits to construct and operate the mining operation.

In 2016, PolyMet submitted applications for water-related permits with the DNR and MPCA, an air quality permit with the MPCA, and a state permit to mine application with the DNR detailing its operational plans for the mine. On November 1, 2018, the DNR issued PolyMet's permit to mine and certain water-related permits. On December 20, 2018, the MPCA issued PolyMet's final state water and air quality permits. PolyMet's remaining federal permit is under review by the U.S. Army Corps of Engineers. On June 28, 2018, the U.S. Forest Service and PolyMet closed on a land exchange, which resulted in PolyMet obtaining surface rights to land needed to develop its mining operation. Minnesota Power could supply between 45 MW and 50 MW of load under a 10-year power supply contract with PolyMet that would begin upon start-up of operations.

Outlook (Continued)

EnergyForward. Minnesota Power is executing *EnergyForward*, a strategic plan for assuring reliability, protecting affordability and further improving environmental performance. The plan includes completed and planned investments in wind, solar, natural gas and hydroelectric power, construction of additional transmission capacity, the installation of emissions control technology and the idling of certain coal-fired generating facilities.

In July 2017, Minnesota Power submitted a resource package to the MPUC requesting approval of PPAs for the output of a 250 MW wind energy facility and a 10 MW solar energy facility as well as approval of a 250 MW natural gas capacity dedication agreement. These agreements were subject to MPUC approval of the construction of NTEC, a 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In an order dated January 24, 2019, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication agreement. Separately, the MPUC required a baseload retirement evaluation in Minnesota Power's next IRP filing analyzing its existing fleet including potential early retirement scenarios of Boswell Units 3 and 4, including a securitization plan. The MPUC also approved Minnesota Power's request to extend the next IRP filing deadline until October 1, 2020. On January 8, 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW. A decision on the application is expected in 2020.

On June 18, 2018, Minnesota Power filed a separate petition for approval of the PPA for the output of the 10 MW solar energy facility to be located in central Minnesota, which was approved by the MPUC in an order dated October 2, 2018. On August 22, 2018, Minnesota Power filed a separate petition for approval of an amended PPA for the output of the 250 MW wind energy facility to be located in southwestern Minnesota which was approved in an order dated January 23, 2019. (See Note 5. Equity Investments.)

Integrated Resource Plan. In 2015, Minnesota Power filed its 2015 IRP with the MPUC, which included an analysis of a variety of existing and future energy resource alternatives and a projection of customer cost impact by class. The 2015 IRP also contained steps in Minnesota Power's *EnergyForward* strategic plan including the economic idling of Taconite Harbor Units 1 and 2 which occurred in 2016, the ceasing of coal-fired operations at Taconite Harbor in 2020, and the addition of between 200 MW and 300 MW of natural gas-fired generation. In a 2016 order, the MPUC approved Minnesota Power's 2015 IRP with modifications. The order accepted Minnesota Power's plans for Taconite Harbor, directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct request for proposals for additional wind, solar and demand response resource additions subject to further MPUC approvals. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. (See Note 4. Regulatory Matters.)

Renewable Energy. Minnesota Power's 2015 IRP includes an update on its plans and progress in meeting the Minnesota renewable energy milestones through 2025. Minnesota Power continues to execute its renewable energy strategy through renewable projects that will ensure it meets the identified state mandate at the lowest cost for customers. Minnesota Power has exceeded the interim milestone requirements to date and expects between 25 percent and 30 percent of its applicable retail and municipal energy sales will be supplied by renewable energy sources in 2019. (See Item 1. Business – Regulated Operations – Minnesota Legislation and *EnergyForward*.)

Minnesota Solar Energy Standard. Minnesota Power's solar energy supply consists of Camp Ripley, a 10 MW solar energy facility at the Camp Ripley Minnesota Army National Guard base and training facility near Little Falls, Minnesota, and a community solar garden project in northeastern Minnesota, which is comprised of a 1 MW solar array owned and operated by a third party with the output purchased by Minnesota Power and a 40 kW solar array that is owned and operated by Minnesota Power. In an order dated October 2, 2018, the MPUC approved a PPA for the output of the 10 MW Blanchard solar energy facility to be located in central Minnesota. Minnesota Power expects that Camp Ripley, the community solar garden arrays, the PPA for the output of the 10 MW Blanchard solar energy facility, and an increase in solar rebates will allow Minnesota Power to meet both parts of the solar mandate. (See Item 1. Business – Regulated Operations – Minnesota Legislature and *EnergyForward.*)

Minnesota Power has approval for current cost recovery of investments and expenditures related to compliance with the Minnesota Solar Energy Standard. Currently, there is no approved customer billing rate for solar costs.

Wind Energy. Minnesota Power's wind energy facilities consist of Bison (497 MW) located in North Dakota and Taconite Ridge (25 MW) located in northeastern Minnesota. Minnesota Power also has two long-term wind energy PPAs with an affiliate of NextEra Energy, Inc. to purchase the output from Oliver Wind I (50 MW) and Oliver Wind II (48 MW) located in North Dakota.

Outlook (Continued)
EnergyForward (Continued)

Minnesota Power uses the 465-mile, 250-kV DC transmission line that runs from Center, North Dakota, to Duluth, Minnesota, to transport increasing amounts of wind energy from North Dakota while gradually phasing out coal-based electricity delivered to its system over this transmission line from Square Butte's lignite coal-fired generating unit. The DC transmission line capacity can be increased if renewable energy or transmission needs justify investments to upgrade the line.

Minnesota Power has an approved cost recovery rider for certain renewable investments and expenditures. The cost recovery rider allows Minnesota Power to charge retail customers on a current basis for the costs of certain renewable investments plus a return on the capital invested. Updated customer billing rates for the renewable cost recovery rider were provisionally approved by the MPUC in an order dated November 19, 2018.

Nobles 2 PPA. In the third quarter of 2018, Minnesota Power and Nobles 2 signed an amended long-term PPA that provides for Minnesota Power to purchase the energy and associated capacity from a 250 MW wind energy facility in southwestern Minnesota for a 20-year period beginning in 2020. The agreement provides for the purchase of output from the facility at fixed energy prices. There are no fixed capacity charges, and Minnesota Power will only pay for energy as it is delivered. This agreement is subject to construction of the wind energy facility. (See Note 5. Equity Investments.)

Manitoba Hydro. Minnesota Power has five long-term PPAs with Manitoba Hydro. The first PPA expires in May 2020. Under this agreement, Minnesota Power is purchasing 50 MW of capacity and the energy associated with that capacity. Both the capacity price and the energy price are adjusted annually by the change in a governmental inflationary index. Under the second PPA, Minnesota Power is purchasing surplus energy through April 2022. This energy-only agreement primarily consists of surplus hydro energy on Manitoba Hydro's system that is delivered to Minnesota Power on a non-firm basis. The pricing is based on forward market prices. Under this agreement, Minnesota Power will purchase at least one million MWh of energy over the contract term.

The third PPA provides for Minnesota Power to purchase 250 MW of capacity and energy from Manitoba Hydro for 15 years beginning in 2020. The PPA is subject to construction of the GNTL and MMTP. (See Note 11. Commitments, Guarantees and Contingencies.) The capacity price is adjusted annually until 2020 by the change in a governmental inflationary index. The energy price is based on a formula that includes an annual fixed price component adjusted for the change in a governmental inflationary index and a natural gas index, as well as market prices.

The fourth PPA provides for Minnesota Power to purchase up to 133 MW of energy from Manitoba Hydro for 20 years beginning in 2020. The pricing under this PPA is based on forward market prices. The PPA is subject to the construction of the GNTL and MMTP. (See Note 11. Commitments, Guarantees and Contingencies.)

The fifth PPA provides for Minnesota Power to purchase 50 MW of capacity from Manitoba Hydro at fixed prices. The PPA began in June 2017 and expires in May 2020.

***Transmission*.** We continue to make investments in transmission opportunities that strengthen or enhance the transmission grid or take advantage of our geographical location between sources of renewable energy and end users. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others), and our investment in ATC. See also Item 1. Business – Regulated Operations and Note 11. Commitments, Guarantees and Contingencies.

Energy Infrastructure and Related Services.

ALLETE Clean Energy.

ALLETE Clean Energy will pursue growth through acquisitions or project development. ALLETE Clean Energy is targeting acquisitions of existing facilities up to 200 MW each, which have long-term PSAs in place for the facilities' output. At this time, ALLETE Clean Energy expects acquisitions or development of new facilities will be primarily wind or solar facilities in North America. ALLETE Clean Energy is also targeting the development of new facilities up to 200 MW each, which will have long-term PSAs in place for the output or may be sold upon completion. (See Item 1. Business – Energy Infrastructure and Related Services – ALLETE Clean Energy.)

Outlook (Continued)
ALLETE Clean Energy (Continued)

Federal production tax credit qualification is important to the economics of project development, and in 2016, 2017, and 2018 ALLETE Clean Energy invested in equipment to meet production tax credit safe harbor provisions which provides an opportunity to seek development of up to approximately 1,500 MW of production tax credit qualified wind projects through 2022. ALLETE Clean Energy will also invest approximately $80 million through 2020 for production tax credit requalification of up to 385 WTGs at its Storm Lake I, Storm Lake II and Lake Benton wind energy facilities. On December 18, 2018, ALLETE Clean Energy announced it will requalify its Condon wind energy facility for production tax credits, which will be completed in 2019. We anticipate annual production tax credits relating to these projects of approximately $14 million in 2019, $17 million to $22 million annually in 2020 through 2027, and decreasing thereafter through 2030.

In January 2017, ALLETE Clean Energy announced that it would develop a wind energy facility of up to 50 MW to be sold to Montana-Dakota Utilities; sale of the wind energy facility was completed on October 31, 2018, with revenue of $81.1 million and cost of sales of $67.4 million recognized in the fourth quarter of 2018. ALLETE Clean Energy also constructed and sold a 107 MW wind energy facility to Montana-Dakota Utilities in 2015.

In March 2017, ALLETE Clean Energy announced it will build, own and operate a 100 MW wind energy facility pursuant to a 20-year PSA with Northern States Power; construction is expected to be completed in late 2019. On March 15, 2018, ALLETE Clean Energy announced that it will build, own and operate an 80 MW wind energy facility pursuant to a 15-year PSA with NorthWestern Corporation; construction is expected to be completed in late 2019.

ALLETE Clean Energy manages risk by having a diverse portfolio of assets, which includes PSA expiration, technology and geographic diversity. The current portfolio of approximately 545 MW is subject to typical variations in seasonal wind with higher wind resources typically available in the winter months. The majority of its planned maintenance leverages this seasonality and is performed during lower wind periods. The current mix of PSA expiration and geographic location for existing facilities is as follows:

Wind Energy Facility	Location	Capacity MW	PSA MW	PSA Expiration
Armenia Mountain	Pennsylvania	100.5	100%	2024
Chanarambie/Viking	Minnesota	97.5		
PSA 1 *(a)*			12%	2023
PSA 2			88%	2023
Condon	Oregon	50	100%	2022
Lake Benton	Minnesota	104	100%	2028
Lincoln Heights	Minnesota	8.8	100%	2028
Storm Lake I	Iowa	108	100%	2019
Storm Lake II	Iowa	77		
PSA 1			90%	2019
PSA 2			10%	2032

(a) The PSA expiration assumes the exercise of four one-year renewal options that ALLETE Clean Energy has the sole right to exercise.

U.S. Water Services.

On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million, subject to adjustment at closing, such as for changes in working capital. The transaction is expected to close by the end of the first quarter of 2019 upon receipt of regulatory approval. ALLETE plans to use the proceeds from the sale of U.S. Water Services primarily to reinvest in growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE will also consider using a portion of the proceeds to implement a common stock repurchase program.

Outlook (Continued)

Corporate and Other.

BNI Energy. In 2018, BNI Energy sold 4.3 million tons of coal (4.7 million tons in 2017) and anticipates 2019 sales will be similar to 2018. BNI Energy operates under cost-plus fixed fee agreements extending through December 31, 2037.

Investment in Nobles 2. On December 27, 2018, our wholly-owned subsidiary, ALLETE South Wind, entered into a partnership agreement with Tenaska to purchase a 49 percent equity interest in Nobles 2, the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. The wind energy facility will be built in Nobles County, Minnesota and is expected to be completed in late 2020, with an estimated total project cost of approximately $350 million to $400 million of which our portion is expected to be approximately $170 million to $200 million. We expect to utilize tax equity to finance a portion of our project costs, with an ALLETE expected equity investment of approximately $60 million to $70 million. We account for our investment in Nobles 2 under the equity method of accounting. As of December 31, 2018, our equity investment in Nobles 2 was $33.0 million. (See Note 5. Equity Investments.)

ALLETE Properties. Our strategy incorporates the possibility of a bulk sale of the entire ALLETE Properties portfolio. Proceeds from a bulk sale would be strategically deployed to support growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE Properties also continues to pursue sales of individual parcels over time and will continue to maintain key entitlements and infrastructure. Market conditions can impact land sales and could result in our inability to cover our cost basis and operating expenses including fixed carrying costs such as community development district assessments and property taxes.

Income Taxes

ALLETE's aggregate federal and multi-state statutory tax rate is approximately 28 percent for 2018. ALLETE also has tax credits and other tax adjustments that reduce the combined statutory rate to the effective tax rate. These tax credits and adjustments historically have included items such as investment tax credits, production tax credits, AFUDC-Equity, depletion, as well as other items. The annual effective rate can also be impacted by such items as changes in income before income taxes, state and federal tax law changes that become effective during the year, business combinations, tax planning initiatives and resolution of prior years' tax matters. We expect our effective tax rate to be a benefit of approximately 10 percent for 2019 primarily due to federal production tax credits as a result of wind energy generation. We also expect that our effective tax rate will be lower than the combined statutory rate over the next 11 years due to production tax credits attributable to our wind energy generation.

Liquidity and Capital Resources

Liquidity Position. ALLETE is well-positioned to meet its liquidity needs. As of December 31, 2018, we had cash and cash equivalents of $69.1 million, $388.6 million in available consolidated lines of credit and a debt-to-capital ratio of 41 percent.

On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million, subject to adjustment at closing, such as for changes in working capital. The transaction is expected to close by the end of the first quarter of 2019 upon receipt of regulatory approval. ALLETE plans to use the proceeds from the sale of U.S. Water Services primarily to reinvest in growth initiatives at our Regulated Operations and ALLETE Clean Energy. ALLETE will also consider using a portion of the proceeds to implement a common stock repurchase program.

Capital Structure. ALLETE's capital structure for each of the last three years is as follows:

As of December 31	2018	%	2017	%	2016	%
Millions						
ALLETE Equity	$2,155.8	59	$2,068.2	58	$1,893.0	55
Long-Term Debt (Including Long-Term Debt Due Within One Year)	1,495.2	41	1,513.3	42	1,569.1	45
	$3,651.0	100	$3,581.5	100	$3,462.1	100

Liquidity and Capital Resources (Continued)

Cash Flows. Selected information from ALLETE's Consolidated Statement of Cash Flows is as follows:

Year Ended December 31	2018	2017	2016
Millions			
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	$110.1	$38.3	$110.7
Cash Flows from (used for)			
Operating Activities	433.1	402.9	334.9
Investing Activities	(349.0)	(229.0)	(272.1)
Financing Activities	(115.2)	(102.1)	(135.2)
Change in Cash, Cash Equivalents and Restricted Cash	(31.1)	71.8	(72.4)
Cash, Cash Equivalents and Restricted Cash at End of Period	$79.0	$110.1	$38.3

Operating Activities. Cash from operating activities was higher in 2018 compared to 2017 primarily due to the sale of a wind energy facility to Montana-Dakota Utilities in 2018 and the timing of accounts payable, partially offset by lower recoveries from customers under cost recovery riders and higher contributions to the defined benefit pension plans in 2018.

Cash from operating activities was higher in 2017 compared to 2016 primarily due to a payment made in 2016 as part of the PSA between Minnesota Power and Silver Bay Power, as well as higher recoveries from customers under cost recovery riders, net income and non-cash items in 2017, partially offset by an increase in customer receivables and timing of payments on accounts payable in 2017.

Investing Activities. Cash used for investing activities was higher in 2018 compared to 2017 primarily due to higher capital expenditures and additional contributions to equity method investments in 2018. (See Note 5. Equity Investments.) These increases in cash used for investing activities were partially offset by the acquisition of Tonka Water in 2017.

Cash used for investing activities was lower in 2017 compared to 2016 primarily due to lower capital expenditures in 2017, partially offset by the acquisition of Tonka Water in 2017. (See Note 6. Acquisitions.)

Financing Activities. Cash used for financing activities was higher in 2018 compared to 2017 primarily due to higher dividends on common stock as well as lower proceeds from the issuance of common stock and long-term debt in 2018, partially offset by lower repayments of long-term debt in 2018.

Cash used for financing activities was lower in 2017 compared to 2016 primarily due to higher proceeds from the issuance of common stock and long-term debt in 2017, partially offset by higher contingent consideration payments and repayments of long-term debt in 2017.

Working Capital. Additional working capital, if and when needed, generally is provided by consolidated bank lines of credit and the issuance of securities, including long-term debt, common stock and commercial paper. As of December 31, 2018, we had consolidated bank lines of credit aggregating $407.0 million ($407.0 million as of December 31, 2017), most of which expire in January 2024. We had $18.4 million outstanding in standby letters of credit and no outstanding draws under our lines of credit as of December 31, 2018 ($11.9 million in standby letters of credit and no outstanding draws as of December 31, 2017). In addition, as of December 31, 2018, we had 2.9 million original issue shares of our common stock available for issuance through Invest Direct and 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets, Inc. (See *Securities.*) The amount and timing of future sales of our securities will depend upon market conditions and our specific needs.

On January 10, 2019, ALLETE entered into an amended and restated $400 million credit agreement (Credit Agreement). The Credit Agreement amended and restated ALLETE's $400 million credit facility, which was scheduled to expire in October 2020. The Credit Agreement is unsecured, has a variable interest rate and will expire in January 2024. (See Note 10. Short-Term and Long-Term Debt.)

Liquidity and Capital Resources (Continued)

Securities. We entered into a distribution agreement with Lampert Capital Markets, Inc., in 2008, as amended most recently in 2016, with respect to the issuance and sale of up to an aggregate of 13.6 million shares of our common stock, without par value, of which 2.9 million shares remain available for issuance as of December 31, 2018. For the year ended December 31, 2018, no shares of common stock were issued under this agreement (1.0 million shares for net proceeds of $65.7 million in 2017; 0.1 million shares for net proceeds of $8.0 million in 2016). The shares issued in 2017 and 2016 were offered and sold pursuant to Registration Statement No. 333-212794, pursuant to which the remaining shares will continue to be offered for sale, from time to time.

During the year ended December 31, 2018, we issued 0.4 million shares of common stock through Invest Direct, the Employee Stock Purchase Plan, and the Retirement Savings and Stock Ownership Plan, resulting in net proceeds of $20.3 million (0.3 million shares for net proceeds of $20.3 million in 2017; 0.4 million shares for net proceeds of $22.9 million in 2016). These shares of common stock were registered under Registration Statement Nos. 333-211075, 333-183051 and 333-162890. (See Note 10. Short-Term and Long-Term Debt and Note 12. Common Stock and Earnings Per Share for additional detail regarding ALLETE's debt and equity securities.)

Financial Covenants. See Note 10. Short-Term and Long-Term Debt for information regarding our financial covenants.

Pension and Other Postretirement Benefit Plans. Management considers various factors when making funding decisions, such as regulatory requirements, actuarially determined minimum contribution requirements and contributions required to avoid benefit restrictions for the defined benefit pension plans. For the year ended December 31, 2018, we contributed $15.0 million in cash and no shares of ALLETE common stock to the defined benefit pension plans. On January 15, 2019, we contributed $10.4 million in cash to the defined benefit pension plans. We do not expect to make any additional contributions to our defined benefit pension plans in 2019, and we do not expect to make any contributions to our other postretirement benefit plans in 2019. (See Note 12. Common Stock and Earnings Per Share and Note 15. Pension and Other Postretirement Benefit Plans.)

Off-Balance Sheet Arrangements. Off-balance sheet arrangements are discussed in Note 11. Commitments, Guarantees and Contingencies.

Contractual Obligations and Commercial Commitments. ALLETE has contractual obligations and other commitments that will need to be funded in the future, in addition to its capital expenditure programs. The following table summarizes contractual obligations and other commercial commitments as of December 31, 2018:

	Payments Due by Period				
Contractual Obligations *(a)*	**Total**	**Less than 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**After 5 Years**
Millions					
Long-Term Debt	$2,266.3	$118.7	$326.1	$275.9	$1,545.6
Pension *(b)*	467.8	47.9	94.7	94.1	231.1
Other Postretirement Benefit Plans *(b)*	99.8	9.7	19.5	19.5	51.1
Operating Lease Obligations	41.3	9.9	14.0	8.0	9.4
Easement Obligations	161.0	4.8	9.8	10.1	136.3
PPA Obligations *(c)*	2,210.2	107.3	260.7	291.5	1,550.7
Other Purchase Obligations	69.6	52.4	17.1	—	0.1
Total Contractual Obligations	$5,316.0	$350.7	$741.9	$699.1	$3,524.3

(a) Does not include $1.6 million of non-current unrecognized tax benefits due to uncertainty regarding the timing of future cash payments related to uncertain tax positions. (See Note 13. Income Tax Expense.)

(b) Represents the estimated future benefit payments for our defined benefit pension and other postretirement plans through 2028.

(c) Does not include the agreement with Manitoba Hydro expiring in 2022, as this contract is for surplus energy only; Oliver Wind I and Oliver Wind II, as Minnesota Power only pays for energy as it is delivered; and the agreement with Nobles 2 commencing in 2020 as it is subject to construction of a wind energy facility. (See Note 11. Commitments, Guarantees and Contingencies.)

Long-Term Debt. Our long-term debt obligations, including long-term debt due within one year, represent the principal amount of bonds, notes and loans which are recorded on the Consolidated Balance Sheet, plus interest. The table above assumes that the interest rates in effect at December 31, 2018, remain constant through the remaining term. (See Note 10. Short-Term and Long-Term Debt.)

Liquidity and Capital Resources (Continued)
Contractual Obligations and Commercial Commitments (Continued)

Pension and Other Postretirement Benefit Plans. Our pension and other postretirement benefit plan obligations represent our current estimate of future benefit payments through 2028. Pension contributions will be dependent on several factors including realized asset performance, future discount rate and other actuarial assumptions, Internal Revenue Service and other regulatory requirements, and contributions required to avoid benefit restrictions for the pension plans. Funding for the other postretirement benefit plans is impacted by realized asset performance, future discount rate and other actuarial assumptions, and utility regulatory requirements. These amounts are estimates and will change based on actual market performance, changes in interest rates and any changes in governmental regulations. (See Note 15. Pension and Other Postretirement Benefit Plans.)

Easement Obligations. Easement obligations represent the minimum payments for our land easement agreements at our wind energy facilities.

PPA Obligations. PPA obligations represent our Square Butte, Manitoba Hydro, Minnkota Power and other PPAs. (See Note 11. Commitments, Guarantees and Contingencies.)

Other Purchase Obligations. Other purchase obligations represents our minimum purchase commitments under coal and rail contracts, purchase obligations for certain capital expenditure projects, and long-term service agreements for wind energy facilities. (See Note 11. Commitments, Guarantees and Contingencies.)

Credit Ratings. Access to reasonably priced capital markets is dependent in part on credit and ratings. Our securities have been rated by S&P Global Ratings and by Moody's. Rating agencies use both quantitative and qualitative measures in determining a company's credit rating. These measures include business risk, liquidity risk, competitive position, capital mix, financial condition, predictability of cash flows, management strength and future direction. Some of the quantitative measures can be analyzed through a few key financial ratios, while the qualitative ones are more subjective. Our current credit ratings are listed in the following table:

Credit Ratings	S&P Global Ratings	Moody's
Issuer Credit Rating	BBB+	A3
Commercial Paper	A-2	P-2
First Mortgage Bonds	*(a)*	A1

(a) Not rated by S&P Global Ratings.

The disclosure of these credit ratings is not a recommendation to buy, sell or hold our securities. Ratings are subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

On February 6, 2018, S&P Global Ratings revised its credit rating outlook on ALLETE to negative from stable, while affirming its issuer and commercial paper ratings on ALLETE. S&P Global Ratings cited the potential effect of the TCJA on the Company's cash flows and S&P Global Ratings assessment of the Company's regulatory risk following Minnesota Power's recent general rate case as its rationale for issuing the negative outlook.

On February 8, 2018, Moody's issued a report on ALLETE noting that Minnesota Power's general rate case was credit negative. With respect to Minnesota Power's general rate case outcome, Moody's noted a lower return on equity, disallowance of various expenses, including a decision to disallow recovery of the prepaid pension asset, and a ruling against Minnesota Power's request to adopt an annual rate review mechanism. In addition, Moody's noted the potential negative impact of the TCJA on certain financial metrics used by Moody's.

The Company believes it is well-positioned to meet its liquidity needs. As of December 31, 2018, we had cash and cash equivalents of $69.1 million, $388.6 million in available consolidated lines of credit and a debt-to-capital ratio of 41 percent. Our cash from operating activities for the year ended December 31, 2018 was $433.1 million. In addition, as of December 31, 2018, we had 2.9 million original issue shares of our common stock available for issuance through Invest Direct and 2.9 million original issue shares of common stock available for issuance through a distribution agreement with Lampert Capital Markets, Inc.

Liquidity and Capital Resources (Continued)

Common Stock Dividends. ALLETE is committed to providing a competitive dividend to its shareholders while at the same time funding its growth. ALLETE's long-term objective is to maintain a dividend payout ratio similar to our peers and provide for future dividend increases. Our targeted payout range is between 60 percent and 65 percent. In 2018, we paid out 66 percent (63 percent in 2017; 66 percent in 2016) of our per share earnings in dividends. On January 31, 2019, our Board of Directors declared a dividend of $0.5875 per share, which is payable on March 1, 2019, to shareholders of record at the close of business on February 15, 2019.

Capital Requirements

ALLETE's projected capital expenditures for the years 2019 through 2023 are presented in the following table. Actual capital expenditures may vary from the projections due to changes in forecasted plant maintenance, regulatory decisions or approvals, future environmental requirements, base load growth, capital market conditions or executions of new business strategies.

Capital Expenditures	2019	2020	2021	2022	2023	Total
Millions						
Regulated Operations						
Base and Other	$120	$160	$215	$170	$105	$770
Transmission Cost Recovery *(a)*	125	20	—	—	—	145
Nemadji Trail Energy Center *(b)*	5	15	50	135	130	335
Regulated Operations Capital Expenditures	250	195	265	305	235	1,250
ALLETE Clean Energy *(c)*	270	20	10	5	10	315
Corporate and Other	10	15	15	25	30	95
Total Capital Expenditures	$530	$230	$290	$335	$275	$1,660

(a) Estimated capital expenditures eligible for cost recovery outside of a general rate case, including our portion of transmission capital expenditures related to construction of the GNTL, which are eligible for cost recovery outside of a general rate case. (See Item 1. Business – Regulated Operations – Transmission and Distribution.)

(b) Our portion of estimated capital expenditures for construction of NTEC, a 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE.

(c) Capital expenditures in 2019 include construction of a 100 MW wind energy facility and an 80 MW wind energy facility that ALLETE Clean Energy will build, own and operate. These capital expenditures do not include the cost of safe harbor turbines purchased previously. (See Outlook – Energy Infrastructure and Related Services – ALLETE Clean Energy.)

We are well positioned to meet our financing needs due to adequate operating cash flows, available additional working capital and access to capital markets. We will finance capital expenditures from a combination of internally generated funds, debt and equity issuance proceeds. We intend to maintain a capital structure with capital ratios near current levels. (See *Capital Structure*.)

Environmental and Other Matters

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation. (See Note 11. Commitments, Guarantees and Contingencies.)

Market Risk

Securities Investments.

Available-for-Sale Securities. As of December 31, 2018, our available-for-sale securities portfolio consisted primarily of securities held in other postretirement plans to fund employee benefits. (See Note 8. Investments.)

Market Risk (Continued)

INTEREST RATE RISK

We are exposed to risks resulting from changes in interest rates as a result of our issuance of variable rate debt. We manage our interest rate risk by varying the issuance and maturity dates of our fixed rate debt, limiting the amount of variable rate debt, and continually monitoring the effects of market changes in interest rates. We may also enter into derivative financial instruments, such as interest rate swaps, to mitigate interest rate exposure. The following table presents the long-term debt obligations and the corresponding weighted average interest rate as of December 31, 2018:

	Expected Maturity Date							
Interest Rate Sensitive Financial Instruments	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**	**Fair Value**
Long-Term Debt								
Fixed Rate – Millions	$56.7	$89.5	$98.3	$88.5	$88.5	$1,019.5	$1,441.0	$1,480.4
Average Interest Rate – %	7.6	4.2	3.8	3.7	5.9	4.3	5.0	
Variable Rate – Millions	$1.2	$24.2	$0.2	$0.8	—	$27.8	$54.2	$54.2
Average Interest Rate – %	5.2	2.6	5.2	5.2	—	1.8	2.3	

Interest rates on variable rate long-term debt are reset on a periodic basis reflecting prevailing market conditions. Based on the variable rate debt outstanding as of December 31, 2018, an increase of 100 basis points in interest rates would impact the amount of pre-tax interest expense by $0.5 million. This amount was determined by considering the impact of a hypothetical 100 basis point increase to the average variable interest rate on the variable rate debt outstanding as of December 31, 2018.

COMMODITY PRICE RISK

Our regulated utility operations incur costs for power and fuel (primarily coal and related transportation) in Minnesota, and power and natural gas purchased for resale in our regulated service territory in Wisconsin. Minnesota Power's exposure to price risk for these commodities is significantly mitigated by the current ratemaking process and regulatory framework, which allows recovery of fuel costs in excess of those included in base rates or distribution of savings in fuel costs to ratepayers. SWL&P's exposure to price risk for natural gas is significantly mitigated by the current ratemaking process and regulatory framework, which allows the commodity cost to be passed through to customers. We seek to prudently manage our customers' exposure to price risk by entering into contracts of various durations and terms for the purchase of power and coal and related transportation costs (Minnesota Power) and natural gas (SWL&P).

POWER MARKETING

Minnesota Power's power marketing activities consist of: (1) purchasing energy in the wholesale market to serve its regulated service territory when energy requirements exceed generation output; and (2) selling excess available energy and purchased power. From time to time, Minnesota Power may have excess energy that is temporarily not required by retail and municipal customers in our regulated service territory. Minnesota Power actively sells any excess energy to the wholesale market to optimize the value of its generating facilities.

We are exposed to credit risk primarily through our power marketing activities. We use credit policies to manage credit risk, which includes utilizing an established credit approval process and monitoring counterparty limits.

Recently Adopted Accounting Pronouncements.

New accounting pronouncements are discussed in Note 1. Operations and Significant Accounting Policies of this Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Risk for information related to quantitative and qualitative disclosure about market risk.

Item 8. Financial Statements and Supplementary Data

See our Consolidated Financial Statements as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016, and supplementary data, which are indexed in Item 15(a).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2018, evaluations were performed, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, on the effectiveness of the design and operation of ALLETE's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act). Based upon those evaluations, our principal executive officer and principal financial officer have concluded that such disclosure controls and procedures are effective to provide assurance that information required to be disclosed in ALLETE's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the Internal Control – Integrated Framework (framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Controls

There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Unless otherwise stated, the information required by this Item is incorporated by reference herein from our Proxy Statement for the 2019 Annual Meeting of Shareholders (2019 Proxy Statement) under the following headings:

- **Directors.** The information regarding directors will be included in the "Election of Directors" section;
- **Audit Committee Financial Expert.** The information regarding the Audit Committee financial expert will be included in the "Corporate Governance" section and the "Audit Committee Report" section;
- **Audit Committee Members.** The identity of the Audit Committee members will be included in the "Corporate Governance" section and the "Audit Committee Report" section;
- **Executive Officers.** The information regarding executive officers is included in Part I of this Form 10-K; and
- **Section 16(a) Compliance.** The information regarding Section 16(a) compliance will be included in the "Ownership of ALLETE Common Stock – Section 16(a) Beneficial Ownership Reporting Compliance" section.

Our 2019 Proxy Statement will be filed with the SEC within 120 days after the end of our 2018 fiscal year.

Code of Ethics. We have adopted a written Code of Ethics that applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. A copy of our Code of Ethics is available on our website at www.allete.com and print copies are available without charge upon request to ALLETE, Inc., Attention: Secretary, 30 West Superior St., Duluth, Minnesota 55802. Any amendment to the Code of Ethics or any waiver of the Code of Ethics will be disclosed on our website at www.allete.com promptly following the date of such amendment or waiver.

Corporate Governance. The following documents are available on our website at www.allete.com and print copies are available upon request:

- Corporate Governance Guidelines;
- Audit Committee Charter;
- Executive Compensation Committee Charter; and
- Corporate Governance and Nominating Committee Charter.

Any amendment to these documents will be disclosed on our website at www.allete.com promptly following the date of such amendment.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference herein from the "Compensation Discussion and Analysis," the "Compensation of Executive Officers," the "Compensation Committee Report" and the "Director Compensation" sections in our 2019 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference herein from the "Ownership of ALLETE Common Stock – Securities Owned by Certain Beneficial Owners" and the "Ownership of ALLETE Common Stock – Securities Owned by Directors and Management" sections in our 2019 Proxy Statement.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth the shares of ALLETE common stock available for issuance under the Company's equity compensation plans as of December 31, 2018:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights *(a)*	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights *(b)*	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans *(c)*
Equity Compensation Plans Approved by Security Holders	230,424	—	892,004
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	230,424	—	892,004

(a) Includes the following: (i) 73,532 securities representing the performance shares (including accrued dividends) granted under the executive long-term incentive compensation plan that vested but were not paid as of December 31, 2018; (ii) 82,190 securities representing the target number of performance share awards (including accrued dividends) granted under the executive long-term incentive compensation plan that were unvested as of December 31, 2018; and (iii) 74,702 director deferred stock units (including accrued dividends) under the non-employee director compensation deferral plan as of December 31, 2018. With respect to unvested performance share awards, the actual number of shares to be issued will vary from 0 percent to 200 percent of the target level depending upon the achievement of total shareholder return objectives established for such awards. For additional information about the performance shares, including payout calculations, see our 2019 Proxy Statement.

(b) Earned performance share awards are paid in shares of ALLETE common stock on a one-for-one basis. Accordingly, these awards do not have a weighted-average exercise price.

(c) Excludes the number of securities shown in the first column as to be issued upon exercise of outstanding options, warrants, and rights. The amount shown is comprised of: (i) 723,470 shares available for issuance under the executive long-term incentive compensation plan in the form of options, rights, restricted stock units, performance share awards, and other grants as approved by the Executive Compensation Committee of the Company's Board of Directors; (ii) 55,204 shares available for issuance under the Non-Employee Director Stock Plan as payment for a portion of the annual retainer payable to non-employee Directors; and (iii) 113,330 shares available for issuance under the ALLETE and Affiliated Companies Employee Stock Purchase Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference herein from the "Corporate Governance" section in our 2019 Proxy Statement.

We have adopted a Related Person Transaction Policy which is available on our website at www.allete.com. Print copies are available without charge, upon request. Any amendment to this policy will be disclosed on our website at www.allete.com promptly following the date of such amendment.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference herein from the "Audit Committee Report" section in our 2019 Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules

Exhibit Number

*3(a)1	—	Articles of Incorporation, amended and restated as of May 8, 2001 (filed as Exhibit 3(b) to the March 31, 2001, Form 10-Q, File No. 1-3548).
*3(a)2	—	Amendment to Articles of Incorporation, dated as of September 20, 2004 (filed as Exhibit 3 to the September 21, 2004, Form 8-K, File No. 1-3548).
*3(a)3	—	Amendment to Articles of Incorporation, dated as of May 12, 2009 (filed as Exhibit 3 to the June 30, 2009, Form 10-Q, File No. 1-3548).
*3(a)4	—	Amendment to Articles of Incorporation, dated as of May 11, 2010 (filed as Exhibit 3(a) to the May 14, 2010, Form 8-K, File No. 1-3548).
*3(a)5	—	Amendment to Certificate of Assumed Name, filed with the Minnesota Secretary of State on May 8, 2001 (filed as Exhibit 3(a) to the March 31, 2001, Form 10-Q, File No. 1-3548).
*3(b)	—	Bylaws, as amended effective May 11, 2010 (filed as Exhibit 3(b) to the May 14, 2010, Form 8-K, File No. 1-3548).
*4(a)1	—	Mortgage and Deed of Trust, dated as of September 1, 1945, between Minnesota Power & Light Company (now ALLETE) and The Bank of New York Mellon (formerly Irving Trust Company) and Andres Serrano (successor to Richard H. West), Trustees (filed as Exhibit 7(c), File No. 2-5865).
*4(a)2	—	Supplemental Indentures to ALLETE's Mortgage and Deed of Trust:

Number	Dated as of	Reference File	Exhibit
First	March 1, 1949	2-7826	7(b)
Second	July 1, 1951	2-9036	7(c)
Third	March 1, 1957	2-13075	2(c)
Fourth	January 1, 1968	2-27794	2(c)
Fifth	April 1, 1971	2-39537	2(c)
Sixth	August 1, 1975	2-54116	2(c)
Seventh	September 1, 1976	2-57014	2(c)
Eighth	September 1, 1977	2-59690	2(c)
Ninth	April 1, 1978	2-60866	2(c)
Tenth	August 1, 1978	2-62852	2(d)2
Eleventh	December 1, 1982	2-56649	4(a)3
Twelfth	April 1, 1987	33-30224	4(a)3
Thirteenth	March 1, 1992	33-47438	4(b)
Fourteenth	June 1, 1992	33-55240	4(b)
Fifteenth	July 1, 1992	33-55240	4(c)
Sixteenth	July 1, 1992	33-55240	4(d)
Seventeenth	February 1, 1993	33-50143	4(b)
Eighteenth	July 1, 1993	33-50143	4(c)
Nineteenth	February 1, 1997	1-3548 (1996 Form 10-K)	4(a)3
Twentieth	November 1, 1997	1-3548 (1997 Form 10-K)	4(a)3
Twenty-first	October 1, 2000	333-54330	4(c)3
Twenty-second	July 1, 2003	1-3548 (June 30, 2003, Form 10-Q)	4
Twenty-third	August 1, 2004	1-3548 (Sept. 30, 2004, Form 10-Q)	4(a)
Twenty-fourth	March 1, 2005	1-3548 (March 31, 2005, Form 10-Q)	4
Twenty-fifth	December 1, 2005	1-3548 (March 31, 2006, Form 10-Q)	4
Twenty-sixth	October 1, 2006	1-3548 (2006 Form 10-K)	4(a)3
Twenty-seventh	February 1, 2008	1-3548 (2007 Form 10-K)	4(a)3
Twenty-eighth	May 1, 2008	1-3548 (June 30, 2008, Form 10-Q)	4
Twenty-ninth	November 1, 2008	1-3548 (2008 Form 10-K)	4(a)3
Thirtieth	January 1, 2009	1-3548 (2008 Form 10-K)	4(a)4
Thirty-first	February 1, 2010	1-3548 (March 31, 2010, Form 10-Q)	4
Thirty-second	August 1, 2010	1-3548 (Sept. 30, 2010, Form 10-Q)	4
Thirty-third	July 1, 2012	1-3548 (July 2, 2012, Form 8-K)	4
Thirty-fourth	April 1, 2013	1-3548 (April 2, 2013, Form 8-K)	4
Thirty-fifth	March 1, 2014	1-3548 (March 31, 2014, Form 10-Q)	4
Thirty-sixth	June 1, 2014	1-3548 (June 30, 2014, Form 10-Q)	4
Thirty-seventh	September 1, 2014	1-3548 (Sept. 30, 2014, Form 10-Q)	4
Thirty-eighth	September 1, 2015	1-3548 (Sept. 30, 2015, Form 10-Q)	4(a)

Exhibit Number

	Thirty-ninth	April 1, 2018	1-3548 (March 31, 2018, Form 10-Q)	4

*4(b)1	—	Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and Chemical Bank & Trust Company and Howard B. Smith, as Trustees, both succeeded by U.S. Bank National Association, as Trustee (filed as Exhibit 7(c), File No. 2-8668).
*4(b)2	—	Supplemental Indentures to Superior Water, Light and Power Company's Mortgage and Deed of Trust:

Number	Dated as of	Reference File	Exhibit
First	March 1, 1951	2-59690	2(d)(1)
Second	March 1, 1962	2-27794	2(d)1
Third	July 1, 1976	2-57478	2(e)1
Fourth	March 1, 1985	2-78641	4(b)
Fifth	December 1, 1992	1-3548 (1992 Form 10-K)	4(b)1
Sixth	March 24, 1994	1-3548 (1996 Form 10-K)	4(b)1
Seventh	November 1, 1994	1-3548 (1996 Form 10-K)	4(b)2
Eighth	January 1, 1997	1-3548 (1996 Form 10-K)	4(b)3
Ninth	October 1, 2007	1-3548 (2007 Form 10-K)	4(c)3
Tenth	October 1, 2007	1-3548 (2007 Form 10-K)	4(c)4
Eleventh	December 1, 2008	1-3548 (2008 Form 10-K)	4(c)3
Twelfth	December 2, 2013	1-3548 (2013 Form 10-K)	4(c)3
Thirteenth	May 29, 2018	1-3548 (June 30, 2018, Form 10-Q)	4

*4(c)	—	Note Purchase and Guarantee Agreement dated as of November 5, 2015, among Armenia Mountain Wind LLC, AMW I Holding, LLC and the purchasers named therein (filed as Exhibit 4 to the November 12, 2015, Form 8-K, File No. 1-3548).
*4(d)	—	Note Purchase Agreement, dated December 8, 2016, between ALLETE and Hartford Investment Management Company, Northwestern Mutual Investment Management Company, The Northwestern Mutual Life Insurance Company and Nationwide Life insurance Company (filed as Exhibit 4 to the December 12, 2016, Form 8-K, File No. 1-3548).
*4(e)	—	Term Loan Agreement dated as of August 25, 2017, among ALLETE, as Borrower, the Lenders party hereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Bank of America, N.A., as Syndication Agent, and JPMorgan Chase Bank, N.A., as Sole Lead Arranger and Sole Book Runner (filed as Exhibit 4 to the September 30, 2017, Form 10-Q, File No. 1-3548).
*10(a)	—	Power Purchase and Sale Agreement, dated as of May 29, 1998, between Minnesota Power, Inc. (now ALLETE) and Square Butte Electric Cooperative (filed as Exhibit 10 to the June 30, 1998, Form 10-Q, File No. 1-3548).
*10(b)1	—	Credit Agreement dated as of November 4, 2013 among ALLETE, as Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Securities LLC, as Sole Lead Arranger and Sole Book Runner (filed as Exhibit 10 to the November 4, 2013, Form 8-K, File No. 1-3548).
10(b)2	—	Amended and Restated Credit Agreement dated as of January 10, 2019 among ALLETE, as Borrower, the lenders party hereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and J.P. Morgan Chase Bank, N.A., as Sole Lead Arranger and Sole Book Runner.
*10(c)1	—	Financing Agreement between Collier County Industrial Development Authority and ALLETE dated as of July 1, 2006 (filed as Exhibit 10(b)1 to the June 30, 2006, Form 10-Q, File No. 1-3548).
*10(c)2	—	Amended and Restated Letter of Credit Agreement, dated as of June 3, 2011, among ALLETE, the participating banks and Wells Fargo Bank, National Association, as Administrative Agent and Issuing Bank (filed as Exhibit 10(b) to the June 30, 2011, Form 10-Q, File No. 1-3548).
*10(c)3	—	First Amendment to Amended and Restated Letter of Credit Agreement, dated as of June 1, 2013, between ALLETE and Wells Fargo Bank, National Association, as Issuing Bank, Administrative Agent and Sole Participating Bank (filed as Exhibit 10(b) to the June 30, 2013, Form 10-Q, File No. 1-3548).
*10(d)	—	Agreement dated December 16, 2005, among ALLETE, Wisconsin Public Service Corporation and WPS Investments, LLC (filed as Exhibit 10(g) to the 2009 Form 10-K, File No. 1-3548).
+*10(e)1	—	ALLETE Executive Annual Incentive Plan, as amended and restated, effective January 1, 2011 (filed as Exhibit 10(h)1 to the 2010 Form 10-K, File No. 1-3548).
+*10(e)2	—	ALLETE Executive Annual Incentive Plan Form of Award Effective 2016 (filed as Exhibit 10(e)6 to the 2015 Form 10-K, File No. 1-3548).
+*10(e)3	—	ALLETE Executive Annual Incentive Plan Form of Award Effective 2017 (filed as Exhibit 10(e)6 to the 2016 Form 10-K, File No. 1-3548).
+*10(e)4	—	ALLETE Executive Annual Incentive Plan Form of Award Superior Water, Light and Power Effective 2017 (filed as Exhibit 10(e)7 to the 2016 Form 10-K, File No. 1-3548).
+*10(e)5	—	ALLETE Executive Annual Incentive Plan Form of Award Effective 2018 (filed as Exhibit 10(a)1 to the March 31, 2018, Form 10-Q, File No. 1-3548).
+*10(e)6	—	ALLETE Executive Annual Incentive Plan Form of Award Superior Water, Light and Power Effective 2018 (filed as Exhibit 10(a)2 to the March 31, 2018, Form 10-Q, File No. 1-3548).

Exhibit Number		
+10(e)7	—	ALLETE Executive Annual Incentive Plan Form of Award Effective 2019.
+*10(e)8	—	ALLETE Executive Annual Incentive Plan Form of Award Effective 2015 (filed as Exhibit 10(e)6 to the 2014 Form 10-K, File No. 1-3548).
+*10(f)1	—	ALLETE and Affiliated Companies Supplemental Executive Retirement Plan (SERP I), as amended and restated, effective January 1, 2009 (filed as Exhibit 10(i)4 to the 2008 Form 10-K, File No. 1-3548).
+*10(f)2	—	Amendment to the ALLETE and Affiliated Companies Supplemental Executive Retirement Plan (SERP I), effective January 1, 2011 (filed as Exhibit 10(i)2 to the 2010 Form 10-K, File No. 1-3548).
+*10(f)3	—	ALLETE and Affiliated Companies Supplemental Executive Retirement Plan II (SERP II), as amended and restated, effective January 1, 2015 (filed as Exhibit 10(f)3 to the 2014 Form 10-K, File No. 1-3548).
+10(f)4	—	ALLETE and Affiliated Companies Supplemental Executive Retirement Plan II (SERP II), as amended and restated, effective January 1, 2019.
+*10(g)	—	ALLETE Deferred Compensation Trust Agreement, as amended and restated, effective December 15, 2012 (filed as Exhibit 10(j) to the 2012 Form 10-K, File No. 1-3548).
+*10(h)1	—	ALLETE Executive Long-Term Incentive Compensation Plan as amended and restated effective January 1, 2006 (filed as Exhibit 10 to the May 16, 2005, Form 8-K, File No. 1-3548).
+*10(h)2	—	Amendment to the ALLETE Executive Long-Term Incentive Compensation Plan, effective January 1, 2011 (filed as Exhibit 10(m)2 to the 2010 Form 10-K, File No. 1-3548).
+*10(h)3	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2014 (filed as Exhibit 10(j)14 to the 2013 Form 10-K, File No. 1-3548).
+*10(h)4	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2014 (filed as Exhibit 10(j)15 to the 2013 Form 10-K, File No. 1-3548).
+*10(h)5	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2015 (filed as Exhibit 10(j)16 to the 2014 Form 10-K, File No. 1-3548).
+*10(h)6	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2015 (filed as Exhibit 10(j)17 to the 2014 Form 10-K, File No. 1-3548).
+*10(h)7	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2013 (filed as Exhibit 10(k)14 to the 2012 Form 10-K, File No. 1-3548).
+*10(h)8	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2013 (filed as Exhibit 10(k)15 to the 2012 Form 10-K, File No. 1-3548).
+*10(i)1	—	ALLETE Executive Long-Term Incentive Compensation Plan effective January 1, 2016 (filed November 6, 2015, as Exhibit 99 to Form S-8, File No. 333-207846).
+*10(i)2	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2016 (filed as Exhibit 10(k)3 to the 2015 Form 10-K, File No. 1-3548).
+*10(i)3	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2016 (filed as Exhibit 10(k)2 to the 2015 Form 10-K, File No. 1-3548).
+*10(i)4	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Cash Award Effective 2017 (filed as Exhibit 10(i)4 to the 2016 Form 10-K, File No. 1-3548).
+*10(i)5	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2017 (filed as Exhibit 10(i)5 to the 2016 Form 10-K, File No. 1-3548).
+*10(i)6	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2017 (filed as Exhibit 10(i)6 to the 2016 Form 10-K, File No. 1-3548).
+*10(i)7	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Cash Award Effective 2018 (filed as Exhibit 10(b) to the March 31, 2018, Form 10-Q, File No. 1-3548).
+*10(i)8	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2018 (filed as Exhibit 10(i)7 to the 2017 Form 10-K, File No. 1-3548).
+*10(i)9	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2018 (filed as Exhibit 10(i)8 to the 2017 Form 10-K, File No. 1-3548).
+10(i)10	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Restricted Stock Unit Grant Effective 2019.
+10(i)11	—	Form of ALLETE Executive Long-Term Incentive Compensation Plan Performance Share Grant Effective 2019.
+*10(j)1	—	Amended and Restated ALLETE Non-Employee Director Stock Plan, effective May 15, 2013 (filed as Exhibit 10(a) to the June 30, 2013, Form 10-Q, File No. 1-3548).
+*10(k)1	—	ALLETE Non-Employee Director Compensation Summary effective January 1, 2015 (filed as Exhibit 10(l)5 to the 2014 Form 10-K, File No. 1-3548).
+*10(k)2	—	ALLETE Non-Employee Director Compensation Summary effective January 1, 2017 (filed as Exhibit 10(k)3 to the 2016 Form 10-K, File No. 1-3548).
+10(k)3	—	ALLETE Non-Employee Director Compensation Summary effective January 1, 2019.
+*10(l)1	—	Minnesota Power (now ALLETE) Non-Employee Director Compensation Deferral Plan Amended and Restated, effective January 1, 1990 (filed as Exhibit 10(ac) to the 2002 Form 10-K, File No. 1-3548).

Exhibit Number		
+*10(l)2	—	October 2003 Amendment to the Minnesota Power (now ALLETE) Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(aa)2 to the 2003 Form 10-K, File No. 1-3548).
+*10(l)3	—	January 2005 Amendment to the ALLETE Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(c) to the March 31, 2005, Form 10-Q, File No. 1-3548).
+*10(l)4	—	October 2006 Amendment to the ALLETE Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(d) to the September 30, 2006, Form 10-Q, File No. 1-3548).
+*10(l)5	—	July 2012 Amendment to the ALLETE Non-Employee Director Compensation Deferral Plan (filed as Exhibit 10(n)5 to the 2012 Form 10-K, File No. 1-3548).
+*10(m)1	—	ALLETE Non-Employee Director Compensation Deferral Plan II, effective May 1, 2009 (filed as Exhibit 10(a) to the June 30, 2009, Form 10-Q, File No. 1-3548).
+*10(m)2	—	ALLETE Non-Employee Director Compensation Deferral Plan II, as amended and restated, effective July 24, 2012 (filed as Exhibit 10(o)2 to the 2012 Form 10-K, File No. 1-3548).
+*10(n)	—	ALLETE Non-Employee Director Compensation Trust Agreement, as amended and restated, effective December 15, 2012 (filed as Exhibit 10(p)2 to the 2012 Form 10-K, File No. 1-3548).
+*10(o)1	—	ALLETE and Affiliated Companies Change in Control Severance Plan, as amended and restated, effective January 19, 2011 (filed as Exhibit 10(q) to the 2010 Form 10-K, File No. 1-3548).
+*10(o)2	—	ALLETE and Affiliated Companies Change in Control Severance Plan, as amended and restated, effective April 23, 2018 (filed as Exhibit 10(c) to the March 31, 2018, Form 10-Q, File No. 1-3548).
+10(p)	—	ALLETE Executive Separation Agreement effective November 29, 2018.
21	—	Subsidiaries of the Registrant.
23	—	Consent of Independent Registered Public Accounting Firm.
31(a)	—	Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	—	Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	—	Section 1350 Certification of Annual Report by the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	—	Mine Safety.
99	—	**ALLETE News Release dated February 14, 2019, announcing earnings for the year ended December 31, 2018. (This exhibit has been furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.)**
101.INS	—	XBRL Instance
101.SCH	—	XBRL Schema
101.CAL	—	XBRL Calculation
101.DEF	—	XBRL Definition
101.LAB	—	XBRL Label
101.PRE	—	XBRL Presentation

Exhibits (Continued)

ALLETE or its subsidiaries are obligors under various long-term debt instruments including, but not limited to, the following:

- $38,995,000 original principal amount, of City of Cohasset, Minnesota, Variable Rate Demand Revenue Refunding Bonds (ALLETE, formerly Minnesota Power & Light Company, Project) Series 1997A ($13,500,000 remaining principal balance);
- $27,800,000 of Collier County Industrial Development Authority, Industrial Development Variable Rate Demand Refunding Revenue Bonds Series 2006;
- $6,370,000 of City of Superior, Wisconsin, Collateralized Utility Revenue Refunding Bonds Series 2007A; and
- $6,130,000 of City of Superior, Wisconsin, Collateralized Utility Revenue Bonds Series 2007B.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, these and other long-term debt instruments are not filed as exhibits because the total amount of debt authorized under each omitted instrument does not exceed 10 percent of our total consolidated assets. We will furnish copies of these instruments to the SEC upon its request.

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* *Incorporated herein by reference as indicated.*

\+ *Management contract or compensatory plan or arrangement pursuant to Item 15(b).*

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLETE, Inc.

Dated: February 14, 2019

By /s/ Alan R. Hodnik
Alan R. Hodnik
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Alan R. Hodnik Alan R. Hodnik	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 14, 2019
/s/ Robert J. Adams Robert J. Adams	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 14, 2019
/s/ Steven W. Morris Steven W. Morris	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 14, 2019

Signatures (Continued)

Signature	Title	Date
/s/ Kathryn W. Dindo Kathryn W. Dindo	Director	February 14, 2019
/s/ Sidney W. Emery, Jr. Sidney W. Emery, Jr.	Director	February 14, 2019
/s/ George G. Goldfarb George G. Goldfarb	Director	February 14, 2019
/s/ James S. Haines, Jr. James S. Haines, Jr.	Director	February 14, 2019
/s/ James J. Hoolihan James J. Hoolihan	Director	February 14, 2019
/s/ Heidi E. Jimmerson Heidi E. Jimmerson	Director	February 14, 2019
/s/ Madeleine W. Ludlow Madeleine W. Ludlow	Director	February 14, 2019
/s/ Susan K. Nestegard Susan K. Nestegard	Director	February 14, 2019
/s/ Douglas C. Neve Douglas C. Neve	Director	February 14, 2019
/s/ Bethany M. Owen Bethany M. Owen	Director	February 14, 2019
/s/ Robert P. Powers Robert P. Powers	Director	February 14, 2019
/s/ Leonard C. Rodman Leonard C. Rodman	Director	February 14, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of ALLETE, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of ALLETE, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and schedule of valuation and qualifying accounts and reserves for each of the three years in the period ended December 31, 2018 appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Minneapolis, Minnesota
February 14, 2019

We have served as the Company's auditor since 1963.

CONSOLIDATED FINANCIAL STATEMENTS

ALLETE Consolidated Balance Sheet

As of December 31	2018	2017
Millions		
Assets		
Current Assets		
Cash and Cash Equivalents	$69.1	$98.9
Accounts Receivable (Less Allowance of $1.7 and $2.1)	144.4	135.1
Inventories – Net	86.7	95.9
Prepayments and Other	34.1	37.6
Total Current Assets	334.3	367.5
Property, Plant and Equipment – Net	3,904.4	3,822.4
Regulatory Assets	389.5	384.7
Equity Investments	161.1	118.7
Other Investments	49.1	53.1
Goodwill and Intangible Assets – Net	223.3	225.9
Other Non-Current Assets	103.3	107.7
Total Assets	$5,165.0	$5,080.0
Liabilities and Shareholders' Equity		
Liabilities		
Current Liabilities		
Accounts Payable	$149.8	$136.3
Accrued Taxes	51.4	50.0
Accrued Interest	17.9	17.6
Long-Term Debt Due Within One Year	57.5	64.1
Other	128.5	83.2
Total Current Liabilities	405.1	351.2
Long-Term Debt	1,428.5	1,439.2
Deferred Income Taxes	223.6	230.5
Regulatory Liabilities	512.1	532.0
Defined Benefit Pension and Other Postretirement Benefit Plans	177.3	191.8
Other Non-Current Liabilities	262.6	267.1
Total Liabilities	3,009.2	3,011.8
Commitments, Guarantees and Contingencies (Note 11)		
Shareholders' Equity		
Common Stock Without Par Value, 80.0 Shares Authorized, 51.5 and 51.1 Shares Issued and Outstanding	1,428.5	1,401.4
Accumulated Other Comprehensive Loss	(27.3)	(22.6)
Retained Earnings	754.6	689.4
Total Shareholders' Equity	2,155.8	2,068.2
Total Liabilities and Shareholders' Equity	$5,165.0	$5,080.0

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Income

Year Ended December 31	2018	2017	2016
Millions Except Per Share Amounts			
Operating Revenue			
Contracts with Customers – Utility	$1,059.5	$1,063.8	$1,000.7
Contracts with Customers – Non-utility	415.5	331.9	316.7
Other – Non-utility	23.6	23.6	22.3
Total Operating Revenue	1,498.6	1,419.3	1,339.7
Operating Expenses			
Fuel, Purchased Power and Gas – Utility	407.5	396.9	339.9
Transmission Services – Utility	69.9	71.2	65.2
Cost of Sales – Non-utility	218.0	147.5	137.4
Operating and Maintenance	340.5	344.1	340.9
Depreciation and Amortization	205.6	177.5	195.8
Taxes Other than Income Taxes	57.9	56.9	53.8
Other	(2.0)	(0.7)	(10.3)
Total Operating Expenses	1,297.4	1,193.4	1,122.7
Operating Income	201.2	225.9	217.0
Other Income (Expense)			
Interest Expense	(67.9)	(67.8)	(70.3)
Equity Earnings in ATC	17.5	22.5	18.5
Other	7.8	6.3	10.4
Total Other Expense	(42.6)	(39.0)	(41.4)
Income Before Non-Controlling Interest and Income Taxes	158.6	186.9	175.6
Income Tax Expense (Benefit)	(15.5)	14.7	19.8
Net Income	174.1	172.2	155.8
Less: Non-Controlling Interest in Subsidiaries	—	—	0.5
Net Income Attributable to ALLETE	$174.1	$172.2	$155.3
Average Shares of Common Stock			
Basic	51.3	50.8	49.3
Diluted	51.5	51.0	49.5
Basic Earnings Per Share of Common Stock	$3.39	$3.39	$3.15
Diluted Earnings Per Share of Common Stock	$3.38	$3.38	$3.14

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Comprehensive Income

Year Ended December 31	2018	2017	2016
Millions			
Net Income	$174.1	$172.2	$155.8
Other Comprehensive Income (Loss)			
Unrealized Gain (Loss) on Securities			
Net of Income Tax Expense (Benefit) of $–, $0.7 and $(0.2)	(0.1)	0.9	(0.2)
Defined Benefit Pension and Other Postretirement Benefit Plans			
Net of Income Tax Expense (Benefit) of $0.3, $2.2 and $(2.4)	1.0	4.7	(3.5)
Total Other Comprehensive Income (Loss)	0.9	5.6	(3.7)
Total Comprehensive Income	175.0	177.8	152.1
Less: Non-Controlling Interest in Subsidiaries	—	—	0.5
Total Comprehensive Income Attributable to ALLETE	$175.0	$177.8	$151.6

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Cash Flows

Year Ended December 31	2018	2017	2016
Millions			
Operating Activities			
Net Income	$174.1	$172.2	$155.8
AFUDC – Equity	(1.2)	(1.2)	(2.1)
Income from Equity Investments – Net of Dividends	(2.3)	(3.2)	(5.7)
Impairment of Goodwill	—	—	3.3
Change in Fair Value of Contingent Consideration	(2.0)	(0.7)	(13.6)
Deferred Fuel Adjustment Clause Charge	—	19.5	—
Loss (Gain) on Sales of Investments and Property, Plant and Equipment	1.0	0.4	(6.0)
Depreciation Expense	200.1	171.9	190.6
Amortization of PSAs	(23.6)	(23.6)	(22.3)
Amortization of Other Intangible Assets and Other Assets	10.4	10.2	10.3
Deferred Income Tax Expense (Benefit)	(15.8)	14.4	19.4
Share-Based and ESOP Compensation Expense	6.8	6.6	5.1
Defined Benefit Pension and Other Postretirement Benefit Expense	8.6	10.1	4.6
Bad Debt Expense	1.1	0.8	4.1
Provision for Interim Rate Refund	16.3	32.3	—
Provision for Tax Reform Refund	10.7	—	—
Changes in Operating Assets and Liabilities			
Accounts Receivable	(10.7)	(8.0)	(4.7)
Inventories	55.5	11.9	13.3
Prepayments and Other	(4.0)	(5.3)	(6.9)
Accounts Payable	13.6	(7.5)	6.5
Other Current Liabilities	6.7	1.8	(10.9)
Cash Contributions to Defined Benefit Pension Plans	(15.0)	(1.7)	(6.3)
Changes in Regulatory and Other Non-Current Assets	6.7	33.7	(10.7)
Changes in Regulatory and Other Non-Current Liabilities	(3.9)	(31.7)	11.1
Cash from Operating Activities	433.1	402.9	334.9
Investing Activities			
Proceeds from Sale of Available-for-sale Securities	10.2	10.1	9.0
Payments for Purchase of Available-for-sale Securities	(13.3)	(8.6)	(9.4)
Acquisitions of Subsidiaries – Net of Cash and Restricted Cash Acquired	—	(18.5)	(5.8)
Equity Investments	(39.2)	(7.8)	(5.4)
Additions to Property, Plant and Equipment	(312.4)	(208.5)	(265.6)
Other Investing Activities	5.7	4.3	5.1
Cash for Investing Activities	(349.0)	(229.0)	(272.1)
Financing Activities			
Proceeds from Issuance of Common Stock	20.3	86.0	30.9
Proceeds from Issuance of Long-Term Debt	75.6	131.5	4.8
Repayments of Long-Term Debt	(95.5)	(189.6)	(57.7)
Acquisition of Non-Controlling Interest	—	—	(8.0)
Acquisition-Related Contingent Consideration Payments	—	(19.7)	(0.9)
Dividends on Common Stock	(115.0)	(108.7)	(102.7)
Other Financing Activities	(0.6)	(1.6)	(1.6)
Cash for Financing Activities	(115.2)	(102.1)	(135.2)
Change in Cash, Cash Equivalents and Restricted Cash	(31.1)	71.8	(72.4)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	110.1	38.3	110.7
Cash, Cash Equivalents and Restricted Cash at End of Period	$79.0	$110.1	$38.3

The accompanying notes are an integral part of these statements.

ALLETE Consolidated Statement of Equity

Millions	Total Equity	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock	Non-Controlling Interest in Subsidiaries
Balance as of December 31, 2015	$1,822.4	$573.3	$(24.5)	$1,271.4	$2.2
Comprehensive Income					
Net Income	155.8	155.3	—	—	0.5
Other Comprehensive Income – Net of Income Taxes					
Unrealized Loss on Securities	(0.2)	—	(0.2)	—	—
Defined Benefit Pension and Other Postretirement Plans	(3.5)	—	(3.5)	—	—
Total Comprehensive Income	152.1				
Common Stock Issued	35.9	—	—	35.9	—
Common Stock Retired	(8.0)			(8.0)	
Dividends Declared	(102.7)	(102.7)	—	—	—
Acquisition of Non-Controlling Interest	(6.7)	—	—	(4.0)	(2.7)
Balance as of December 31, 2016	1,893.0	625.9	(28.2)	1,295.3	—
Comprehensive Income					
Net Income	172.2	172.2	—	—	—
Other Comprehensive Income – Net of Income Taxes					
Unrealized Gain on Securities	0.9	—	0.9	—	—
Defined Benefit Pension and Other Postretirement Plans	4.7	—	4.7	—	—
Total Comprehensive Income	177.8				
Common Stock Issued	106.1	—	—	106.1	—
Dividends Declared	(108.7)	(108.7)	—	—	—
Balance as of December 31, 2017	2,068.2	689.4	(22.6)	1,401.4	—
Adjustments to Opening Balance – Net of Income Taxes *(a)*	0.5	6.1	(5.6)	—	—
Balance as of January 1, 2018	2,068.7	695.5	(28.2)	1,401.4	—
Comprehensive Income					
Net Income	174.1	174.1	—	—	—
Other Comprehensive Income – Net of Income Taxes					
Unrealized Loss on Debt Securities	(0.1)	—	(0.1)	—	—
Defined Benefit Pension and Other Postretirement Plans	1.0	—	1.0	—	—
Total Comprehensive Income	175.0				
Common Stock Issued	27.1	—	—	27.1	—
Dividends Declared	(115.0)	(115.0)	—	—	—
Balance as of December 31, 2018	$2,155.8	$754.6	$(27.3)	$1,428.5	—

(a) Reflects the impacts associated with the adoption of accounting standards concerning Financial Instruments, Revenue from Contracts with Customers and the Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. (See Note 1. Operations and Significant Accounting Policies.)

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Preparation. References in this report to "we," "us," and "our" are to ALLETE and its subsidiaries, collectively. We prepare our financial statements in conformity with GAAP. These principles require management to make informed judgments, best estimates, and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from those estimates.

Subsequent Events. The Company performed an evaluation of subsequent events for potential recognition and disclosure through the time of the financial statements issuance.

On February 8, 2019, the Company entered into a stock purchase agreement providing for the sale of U.S. Water Services to a subsidiary of Kurita Water Industries Ltd. for a cash purchase price of $270 million, subject to adjustment at closing, such as for changes in working capital. The transaction is expected to close by the end of the first quarter of 2019 upon receipt of regulatory approval. The Company expects to recognize a gain on the sale of U.S. Water Services estimated at approximately $10 million after-tax.

Principles of Consolidation. Our Consolidated Financial Statements include the accounts of ALLETE and all of our majority-owned subsidiary companies. All material intercompany balances and transactions have been eliminated in consolidation.

Business Segments. We present three reportable segments: Regulated Operations, ALLETE Clean Energy and U.S. Water Services. Our segments were determined in accordance with the guidance on segment reporting. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC, a Wisconsin-based regulated utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. Minnesota Power provides regulated utility electric service in northeastern Minnesota to approximately 145,000 retail customers. Minnesota Power also has 16 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. SWL&P provides regulated utility electric, natural gas and water service in northwestern Wisconsin to approximately 15,000 electric customers, 13,000 natural gas customers and 10,000 water customers. Our regulated utility operations include retail and wholesale activities under the jurisdiction of state and federal regulatory authorities.

ALLETE Clean Energy focuses on developing, acquiring, and operating clean and renewable energy projects. ALLETE Clean Energy currently owns and operates, in four states, approximately 545 MW of nameplate capacity wind energy generation that is contracted under PSAs of various durations. ALLETE Clean Energy also engages in the development of wind energy facilities to operate under long-term PSAs or for sale to others upon completion.

U.S. Water Services provides integrated water management for industry by combining chemical, equipment, engineering and service for customized solutions to reduce water and energy usage, and improve efficiency.

Corporate and Other is comprised of BNI Energy, our investment in Nobles 2, ALLETE Properties, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

BNI Energy mines and sells lignite coal to two North Dakota mine-mouth generating units, one of which is Square Butte. In 2018, Square Butte supplied 50 percent (227.5 MW) of its output to Minnesota Power under long-term contracts. (See Note 11. Commitments, Guarantees and Contingencies.)

ALLETE Properties represents our legacy Florida real estate investment. Our strategy incorporates the possibility of a bulk sale of the entire ALLETE Properties portfolio. Proceeds from a bulk sale would be strategically deployed to support growth at our Regulated Operations and ALLETE Clean Energy. ALLETE Properties continues to pursue sales of individual parcels over time and will continue to maintain key entitlements and infrastructure. (See Note 8. Investments.)

Cash, Cash Equivalents and Restricted Cash. We consider all investments purchased with original maturities of three months or less to be cash equivalents. Restricted cash amounts included in Prepayments and Other on the Consolidated Balance Sheet include collateral deposits required under an ALLETE Clean Energy loan agreement and U.S. Water Services' standby letters of credit. The restricted cash amounts included in Other Non-Current Assets represent collateral deposits required under an ALLETE Clean Energy loan agreement and PSAs, and deposits from a SWL&P customer in aid of future capital expenditures. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheet that aggregate to the amount presented in the Consolidated Statement of Cash Flows. During the first quarter of 2018, the Company updated the presentation of its Consolidated Statement of Cash Flows to include restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statement of Cash Flows. (See *Recently Adopted Pronouncements - Statement of Cash Flows: Restricted Cash*.)

Cash, Cash Equivalents and Restricted Cash	December 31, 2018	December 31, 2017	December 31, 2016
Millions			
Cash and Cash Equivalents	$69.1	$98.9	$27.5
Restricted Cash included in Prepayments and Other	1.3	2.6	2.2
Restricted Cash included in Other Non-Current Assets	8.6	8.6	8.6
Cash, Cash Equivalents and Restricted Cash on the Consolidated Statement of Cash Flows	$79.0	$110.1	$38.3

Supplemental Statement of Cash Flow Information.

Consolidated Statement of Cash Flows Year Ended December 31	2018	2017	2016
Millions			
Cash Paid During the Period for Interest – Net of Amounts Capitalized	$66.0	$64.5	$68.2
Remeasurement of Deferred Income Taxes Resulting from the TCJA			
Increase in Regulatory Assets	—	$80.9	—
Decrease in Investment in ATC	—	$(27.9)	—
Decrease in Deferred Income Taxes	—	$(353.6)	—
Increase in Regulatory Liabilities	—	$393.6	—
Noncash Investing and Financing Activities			
Increase (Decrease) in Accounts Payable for Capital Additions to Property, Plant and Equipment	$(0.1)	$67.2	$(22.0)
Reclassification of Property, Plant and Equipment to Inventory *(a)*	$46.3	—	—
Capitalized Asset Retirement Costs	$14.2	$(15.6)	$3.7
Camp Ripley Solar Financing	—	—	$15.0
AFUDC–Equity	$1.2	$1.2	$2.1
ALLETE Common Stock Contributed to Pension Plans	—	$13.5	—
ALLETE Common Stock Received for Land Inventory	—	—	$8.0
Long-Term Finance Receivable for Land Inventory	—	—	$12.0

(a) On February 28, 2018, Montana-Dakota Utilities exercised its option to purchase the Thunder Spirit II wind energy facility upon completion, resulting in a $46.3 million reclassification from Property, Plant and Equipment – Net to Inventories – Net for project costs incurred in the prior year. On the Consolidated Statement of Cash Flows, the sale of the wind energy facility in the fourth quarter of 2018 resulted in Operating Activities – Inventories increasing by $46.3 million in 2018 due to the project costs incurred in the prior year.

Accounts Receivable. Accounts receivable are reported on the Consolidated Balance Sheet net of an allowance for doubtful accounts. The allowance is based on our evaluation of the receivable portfolio under current conditions, overall portfolio quality, review of specific situations and such other factors that, in our judgment, deserve recognition in estimating losses.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Accounts Receivable (Continued)

Accounts Receivable As of December 31	2018	2017
Millions		
Trade Accounts Receivable		
Billed	$121.7	$112.6
Unbilled	24.4	24.6
Less: Allowance for Doubtful Accounts	1.7	2.1
Total Accounts Receivable	$144.4	$135.1

Concentration of Credit Risk. We are subject to concentration of credit risk primarily as a result of accounts receivable. Minnesota Power sells electricity to eight Large Power Customers. Receivables from these customers totaled $11.7 million as of December 31, 2018 ($13.8 million as of December 31, 2017). Minnesota Power does not obtain collateral to support utility receivables, but monitors the credit standing of major customers. In addition, Minnesota Power, as permitted by the MPUC, requires its taconite-producing Large Power Customers to pay weekly for electric usage based on monthly energy usage estimates, which allows us to closely manage collection of amounts due. One of these customers accounted for 10 percent of consolidated operating revenue in 2018 (10 percent in 2017 and 8 percent in 2016).

Long-Term Finance Receivables. Long-term finance receivables relating to our real estate operations are collateralized by property sold, accrue interest at market-based rates and are net of an allowance for doubtful accounts. We assess delinquent finance receivables by comparing the balance of such receivables to the estimated fair value of the collateralized property. If the fair value of the property is less than the finance receivable, we record a reserve for the difference. We estimate fair value based on recent property tax assessed values or current appraisals.

Available-for-Sale Securities. Available-for-sale debt and equity securities are recorded at fair value. Unrealized gains and losses on available-for-sale debt securities are included in accumulated other comprehensive income (loss), net of tax. Unrealized gains and losses on available-for-sale equity securities are recognized in earnings. We use the specific identification method as the basis for determining the cost of securities sold. (See Note 8. Investments.)

Inventories – Net. Inventories are stated at the lower of cost or net realizable value. Inventories in our Regulated Operations segment are carried at an average cost or first-in, first-out basis. Inventories in our U.S. Water Services and ALLETE Clean Energy segments, and Corporate and Other businesses are carried at an average cost, first-in, first-out or specific identification basis.

Inventories – Net As of December 31	2018	2017
Millions		
Fuel *(a)*	$26.0	$34.8
Materials and Supplies	44.2	46.5
Raw Materials	2.8	2.8
Work in Progress	6.1	4.2
Finished Goods	8.4	8.3
Reserve for Obsolescence	(0.8)	(0.7)
Total Inventories – Net	$86.7	$95.9

(a) Fuel consists primarily of coal inventory at Minnesota Power.

Property, Plant and Equipment. Property, plant and equipment are recorded at original cost and are reported on the Consolidated Balance Sheet net of accumulated depreciation. Expenditures for additions, significant replacements, improvements and major plant overhauls are capitalized; maintenance and repair costs are expensed as incurred. Gains or losses on property, plant and equipment in our U.S. Water Services segment and Corporate and Other operations are recognized when they are retired or otherwise disposed. When property, plant and equipment in our Regulated Operations and ALLETE Clean Energy segments are retired or otherwise disposed, no gain or loss is recognized in accordance with the accounting standards for component depreciation except for certain circumstances where the retirement is unforeseen or unexpected. Our Regulated Operations capitalize AFUDC, which includes both an interest and equity component. AFUDC represents the cost of both debt and equity funds used to finance utility plant additions during construction periods. AFUDC amounts capitalized are included in rate base and are recovered from customers as the related property is depreciated. Upon MPUC approval of cost recovery, the recognition of AFUDC ceases. (See Note 2. Property, Plant and Equipment.)

We believe that long-standing ratemaking practices approved by applicable state and federal regulatory commissions allow for the recovery of the remaining book value of retired plant assets. In 2015, Minnesota Power retired Taconite Harbor Unit 3 and converted Laskin to operate on natural gas. Minnesota Power's 2015 IRP contained steps in Minnesota Power's *EnergyForward* plan including the economic idling of Taconite Harbor Units 1 and 2 in 2016, and the ceasing of coal-fired operations at Taconite Harbor in 2020. (See Note 4. Regulatory Matters.) The MPUC order for the 2015 IRP also directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. As part of the 2016 general retail rate case, the MPUC allowed recovery of the remaining book value of Boswell Units 1 and 2 through 2022. We do not expect to record any impairment charge as a result of the retirement of Taconite Harbor Unit 3, the ceasing of coal-fired operations at Taconite Harbor Units 1 and 2 or the conversion of Laskin to operate on natural gas. In addition, we expect to be able to continue depreciating these assets for at least their established remaining useful lives; however, we are unable to predict the impact of regulatory outcomes resulting in changes to their established remaining useful lives.

Impairment of Long-Lived Assets. We review our long-lived assets, which include the legacy real estate assets of ALLETE Properties, for indicators of impairment in accordance with the accounting standards for property, plant and equipment on a quarterly basis. Land inventory is accounted for as held for use and is recorded at cost, unless the carrying value is determined not to be recoverable in accordance with the accounting standards for property, plant and equipment, in which case the land inventory is written down to estimated fair value.

In accordance with the accounting standards for property, plant and equipment, if indicators of impairment exist, we test our long-lived assets for recoverability by comparing the carrying amount of the asset to the undiscounted future net cash flows expected to be generated by the asset. Cash flows are assessed at the lowest level of identifiable cash flows. The undiscounted future net cash flows are impacted by trends and factors known to us at the time they are calculated and our expectations related to: management's best estimate of future sales prices; holding period and timing of sales; method of disposition; and future expenditures necessary to maintain the operations.

In 2018, 2017, and 2016, our qualitative assessments indicated that the cash flows were adequate to recover the carrying value of ALLETE Properties real estate assets. As a result, no impairment was recorded in 2018, 2017, or 2016.

Derivatives. ALLETE is exposed to certain risks relating to its business operations that can be managed through the use of derivative instruments. ALLETE may enter into derivative instruments to manage those risks including interest rate risk related to certain variable-rate borrowings.

Accounting for Stock-Based Compensation. We apply the fair value recognition guidance for share-based payments. Under this guidance, we recognize stock-based compensation expense for all share-based payments granted, net of an estimated forfeiture rate. (See Note 16. Employee Stock and Incentive Plans.)

Goodwill and Intangible Assets.

Goodwill. Goodwill is the excess of the purchase price (consideration transferred) over the estimated fair value of net assets of acquired businesses. In accordance with GAAP, goodwill is not amortized. Goodwill is assessed annually in the fourth quarter for impairment and whenever an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at the reporting unit level.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Goodwill and Intangible Assets (Continued)

As part of the 2016 annual impairment analysis, the Company recognized a non-cash impairment charge of $3.3 million for ALLETE Clean Energy's goodwill primarily related to the acquisition of Storm Lake II in 2014. The charge, which is presented within Operating Expenses – Other in the Consolidated Statement of Income, eliminated all recognized goodwill for the ALLETE Clean Energy reporting unit.

As of the date of our annual goodwill impairment testing in 2018, the U.S. Water Services reporting unit had positive equity and the Company elected to bypass the qualitative assessment of goodwill for impairment, proceeding directly to the two-step impairment test. In performing Step 1 of the impairment test, we compared the fair value of the reporting unit to its carrying value including goodwill. If the carrying value including goodwill were to exceed the fair value of a reporting unit, Step 2 of the impairment test would be performed. Step 2 of the impairment test requires the carrying value of goodwill to be reduced to its fair value, if lower, as of the test date.

U.S. Water Services. For Step 1 of the impairment test, we estimated the reporting unit's fair value using standard valuation techniques, including techniques which use estimates of projected future results and cash flows to be generated by the reporting unit. Such techniques generally include a terminal value that utilizes a growth rate on debt-free cash flows. These cash flow valuations involve a number of estimates that require broad assumptions and significant judgment by management regarding future performance. Our annual impairment test in 2018 indicated that the estimated fair value of U.S. Water Services exceeded its carrying value, and therefore no impairment existed (none in 2017 or in 2016). The fair value of the reporting unit was determined using a discounted cash flow model, using significant assumptions which included a discount rate of 12.0 percent, cash flow forecasts through 2023, annual revenue growth rates ranging from 6.0 percent to 10.0 percent, and a terminal growth rate of 3.5 percent. Forecasted annual revenue growth assumes an increase in market share and growth in the industry. (See *Subsequent Events*.)

Intangible Assets. Intangible assets include customer relationships, patents, non-compete agreements, land easements, trademarks and trade names. Intangible assets with definite lives consist of customer relationships, which are amortized using an attrition model, and patents, non-compete agreements, land easements and certain trade names, which are amortized on a straight-line basis with estimated remaining useful lives ranging from approximately 4 years to approximately 19 years. We review definite-lived intangible assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Indefinite-lived intangible assets consist of trademarks and certain trade names, which are tested for impairment annually in the fourth quarter and whenever an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Impairment is calculated as the excess of the asset's carrying amount over its fair value. Fair value is generally determined using a discounted cash flow analysis. Our annual impairment test in 2018 indicated that the estimated fair value of trademarks and trade names exceeded the asset carrying values. As a result, no impairment existed in 2018 (none in 2017 or in 2016).

Other Non-Current Assets

As of December 31	2018	2017
Millions		
Contract Assets *(a)*	$30.7	$31.6
Finance Receivable *(b)*	10.4	11.0
Other	62.2	65.1
Total Other Non-Current Assets	$103.3	$107.7

(a) Contract Assets include payments made to customers as an incentive to execute or extend service agreements. The contract payments are being amortized over the term of the respective agreements as a reduction to revenue.

(b) Finance Receivable reflects the remaining balance due from the ALLETE Properties sale of its Ormond Crossings project and Lake Swamp wetland mitigation bank.

Other Current Liabilities

As of December 31	2018	2017
Millions		
Provision for Interim Rate Refund	$40.0	—
PSAs	12.6	$24.5
Contract Liabilities *(a)*	7.6	8.7
Provision for Tax Reform Refund	10.7	—
Contingent Consideration *(b)*	3.8	—
Other	53.8	50.0
Total Other Current Liabilities	$128.5	$83.2

(a) Contract Liabilities include deposits received as a result of entering into contracts with our customers prior to completing our performance obligations.

(b) Contingent Consideration relates to the estimated fair value of the earnings-based payment resulting from the U.S. Water Services acquisition. (See Note 9. Fair Value.)

Other Non-Current Liabilities

As of December 31	2018	2017
Millions		
Asset Retirement Obligation	$138.6	$122.7
PSAs	76.9	89.5
Contingent Consideration *(a)*	—	5.4
Other	47.1	49.5
Total Other Non-Current Liabilities	$262.6	$267.1

(a) Contingent Consideration relates to the estimated fair value of the earnings-based payment resulting from the U.S. Water Services acquisition. (See Note 9. Fair Value.)

Environmental Liabilities. We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers. (See Note 11. Commitments, Guarantees and Contingencies.)

Revenue.

Contracts with Customers – Utility includes sales from our regulated operations for generation, transmission and distribution of electric service, and distribution of water and gas services to our customers. Also included is an immaterial amount of regulated steam generation that is used by customers in the production of paper and pulp.

Contracts with Customers – Non-utility includes sales of goods and services to customers from ALLETE Clean Energy, U.S. Water Services and our Corporate and Other businesses.

Other – Non-utility is the non-cash adjustments to revenue recognized by ALLETE Clean Energy for the amortization of differences between contract prices and estimated market prices for PSAs that were assumed during the acquisition of various wind energy facilities.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue is recognized upon transfer of control of promised goods or services to our customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Revenue is recognized net of allowance for returns and any taxes collected from customers, which are subsequently remitted to the appropriate governmental authorities. We account for shipping and handling activities that occur after the customer obtains control of goods as a cost rather than an additional performance obligation thereby recognizing revenue at time of shipment and accruing shipping and handling costs when control transfers to our customers. We have a right to consideration from our customers in an amount that corresponds directly with the value to the customer for our performance completed to date; therefore, we may recognize revenue in the amount to which we have a right to invoice.

Nature of Revenue Streams

Utility

Residential and Commercial includes sales for electric, gas or water service to customers, who have implied contracts with the utility, under rates governed by the MPUC, PSCW or FERC. Customers are billed on a monthly cycle basis and revenue is recognized for electric, gas or water service delivered during the billing period. Revenue is accrued for service provided but not yet billed at period end. Performance obligations with these customers are satisfied at time of delivery to customer meters and simultaneously consumed.

Municipal includes sales to 16 non-affiliated municipal customers in Minnesota under long-term wholesale electric contracts. All wholesale electric contracts include a termination clause requiring a three-year notice to terminate. These contracts have termination dates ranging from 2019 through at least 2032, with a majority of contracts effective through at least 2024. Performance obligations with these customers are satisfied at the time energy is delivered to an agreed upon municipal substation or meter.

Industrial includes sales recognized from contracts with customers in the taconite mining, iron concentrate, paper, pulp and secondary wood products, pipeline and other industries. Industrial sales accounted for approximately 50 percent of total regulated utility kWh sales for the year ended December 31, 2018. Within industrial revenue, Minnesota Power has eight Large Power Customer contracts, each serving requirements of 10 MW or more of customer load. These contracts automatically renew past the contract term unless a four-year advanced written notice is given. Large Power Customer contracts have earliest termination dates ranging from 2022 through 2028. We satisfy our performance obligations for these customers at the time energy is delivered to an agreed upon customer substation. Revenue is accrued for energy provided but not yet billed at period end. Based on current contracts with industrial customers, we expect to recognize minimum revenue for the fixed contract components of approximately $75 million in 2019, $55 million per annum in 2020 through 2022, $25 million in 2023, and $75 million in total thereafter, which reflects the termination notice period in these contracts. When determining minimum revenue, we assume that customer contracts will continue under the contract renewal provision; however, if long-term contracts are renegotiated and subsequently approved by the MPUC or there are changes within our industrial customer class, these amounts may be impacted. Contracts with customers that contain variable pricing or quantity components are excluded from the expected minimum revenue amounts.

Other Power Suppliers includes the sale of energy under long-term PSAs with two customers as well as MISO market and liquidation sales. Expiration dates of these PSAs range from 2020 through 2028. Performance obligations with these customers are satisfied at the time energy is delivered to an agreed upon delivery point defined in the contract (generally the MISO pricing node). Based on current contracts with two customers, we expect to recognize minimum revenue for fixed contract components of approximately $10 million in 2019. Other power supplier contracts that extend beyond 2020 contain variable pricing components that prevent us from estimating future minimum revenue, and therefore are not included.

Other Revenue includes all remaining individually immaterial revenue streams for Minnesota Power and SWL&P, and is comprised of steam sales to paper and pulp mills, wheeling revenue and other sources. Revenue for steam sales to customers is recognized at the time steam is delivered and simultaneously consumed. Revenue is recognized at the time each performance obligation is satisfied.

Alternative Programs includes revenue that is driven by factors outside of our regulated entities' control or as a result of the achievement of certain objectives, such as CIP financial incentives. This revenue is accounted for in accordance with the accounting standards for alternative revenue programs which allow for the recognition of revenue under an alternative revenue program if the program is established by an order from the utility's regulatory commission, the order allows for automatic adjustment of future rates, the amount of revenue recognized is objectively determinable and probable of recovery, and the revenue will be collected within 24 months following the end of the annual period in which it is recognized. CIP financial incentives are recognized in the period in which the MPUC approves the filing, which is typically mid-year.

Non-utility

ALLETE Clean Energy

Long-term PSA revenue includes all sales recognized under long-term contracts for production, curtailment, capacity and associated renewable energy credits from ALLETE Clean Energy wind energy facilities. Expiration dates of these PSAs range from 2019 through 2032. Performance obligations for these contracts are satisfied at the time energy is delivered to an agreed upon point, or production is curtailed at the request of the customer, at specified prices. Revenue from the sale of renewable energy credits is recognized at the same time the related energy is delivered to the customer when sold to the same party.

Sale of Wind Energy Facility includes revenue recognized for the design, development, construction, and sale of a wind energy facility to a customer. Performance obligations for these types of agreements are satisfied at the time the completed project is transferred to the customer at the commercial operation date. Revenue from the sale of a wind energy facility is recognized at the time of asset transfer.

Other is the non-cash adjustments to revenue recognized by ALLETE Clean Energy for the amortization of differences between contract prices and estimated market prices on assumed PSAs. As part of wind energy facility acquisitions, ALLETE Clean Energy assumed various PSAs that were above or below estimated market prices at the time of acquisition; the resulting differences between contract prices and estimated market prices are amortized to revenue over the remaining PSA term.

U.S. Water Services

Point-in-time revenue is recognized for purchases by customers for chemicals, consumable equipment (e.g., filters, pumps and valves) or related maintenance and repair services as the customer's usage and needs change over time. These goods and services are purchased on an as-needed basis by customers and therefore revenue can be variable. Products are shipped to customers in accordance with the terms of each purchase order, and performance obligations are satisfied at the time of shipment of goods or when services are rendered to the customer.

Contract includes monthly revenue from contracts with customers to provide chemicals, consumable equipment and services to meet customer needs during the contract period. As agreed with the customer, a fixed amount is invoiced based on the goods and services to be provided under the contract. The duration of these contracts generally range in length from three months to five years and automatically renew. A 30-day notice is required to terminate such contracts without penalty. Performance obligations are satisfied during the period as goods and service are delivered in accordance with the terms of the contract.

Capital Project includes the sale of equipment and other components assembled to create a water treatment system for a customer. These projects are provided under contracts at an agreed upon price to meet a customer's specifications and typically take less than one year to complete. In general, progress payments are received throughout the project period and are recorded as contract liabilities until performance obligations are satisfied at the time the equipment and other components are delivered to the customer's site.

Corporate and Other

Long-term Contract encompasses the sale and delivery of coal to customer generation facilities. Revenue is recognized on a monthly basis at the cost of production plus a specified profit per ton of coal delivered to the customer. Coal sales are secured under long-term coal supply agreements extending through 2037. Performance obligations are satisfied during the period as coal is delivered to customer generation facilities.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
Revenue (Continued)

Other primarily includes revenue from BNI Energy unrelated to coal, the sale of real estate from ALLETE Properties, and non-rate base steam generation that is sold for use during production of paper and pulp. Performance obligations are satisfied when control transfers to the customer.

See Note 17. Business Segments for additional detail of disaggregated revenue by nature of revenue stream.

Payment Terms

Payment terms and conditions vary across our businesses. Aside from taconite-producing Large Power Customers, payment terms generally require payment to be made within 15 to 30 days from the end of the period that the service has been rendered or goods provided. In the case of its taconite-producing Large Power Customers, as permitted by the MPUC, Minnesota Power requires weekly payments for electric usage based on monthly energy usage estimates. These customers receive estimated bills based on Minnesota Power's estimate of the customers' energy usage, forecasted energy prices and fuel adjustment clause estimates. Minnesota Power's taconite-producing Large Power Customers have generally predictable energy usage on a weekly basis and any differences that occur are trued-up the following month. Due to the timing difference of revenue recognition from the timing of invoicing and payment, the customer receives credit for the time value of money; however, we have determined that our contracts do not include a significant financing component as the period between when we transfer the service to the customer and when they pay for such service is minimal.

Assets Recognized From the Costs to Obtain a Contract with a Customer

We recognize as an asset the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We expense incremental costs when the asset that would have resulted from capitalizing these costs would have been amortized in one year or less. As of December 31, 2018, we have $30.7 million of assets recognized for costs incurred to obtain contracts with our customers ($31.6 million as of December 31, 2017). Management determined the amount of costs to be recognized as assets based on actual costs incurred and paid to obtain and fulfill these contracts to provide goods and services to our customers. Assets recognized to obtain contracts are amortized on a straight-line basis over the contract term as a non-cash reduction to revenue. We recognized $2.6 million and $2.7 million of non-cash amortization for the year ended December 31, 2018 and 2017, respectively.

Operating Expenses – Other

Year Ended December 31	2018	2017	2016
Millions			
Impairment of Goodwill *(a)*	—	—	$3.3
Change in Fair Value of Contingent Consideration *(b)*	$(2.0)	$(0.7)	(13.6)
Total Operating Expenses – Other	$(2.0)	$(0.7)	$(10.3)

(a) See Goodwill and Intangible Assets.
(b) See Note 9. Fair Value.

Unamortized Discount and Premium on Debt. Discount and premium on debt are deferred and amortized over the terms of the related debt instruments using a method which approximates the effective interest method.

Income Taxes. ALLETE and its subsidiaries file a consolidated federal income tax return as well as combined and separate state income tax returns. We account for income taxes using the liability method in accordance with GAAP for income taxes. Under the liability method, deferred income tax assets and liabilities are established for all temporary differences in the book and tax basis of assets and liabilities, based upon enacted tax laws and rates applicable to the periods in which the taxes become payable.

Due to the effects of regulation on Minnesota Power and SWL&P, certain adjustments made to deferred income taxes are, in turn, recorded as regulatory assets or liabilities. Federal investment tax credits have been recorded as deferred credits and are being amortized to income tax expense over the service lives of the related property. In accordance with GAAP for uncertainty in income taxes, we are required to recognize in our financial statements the largest tax benefit of a tax position that is "more-likely-than-not" to be sustained on audit, based solely on the technical merits of the position as of the reporting date. The term "more-likely-than-not" means more than 50 percent likely. (See Note 13. Income Tax Expense.)

Tax Cuts and Jobs Act of 2017. On December 22, 2017, the TCJA was enacted. Under ASC 740, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. On December 22, 2017, the SEC staff issued guidance in Staff Accounting Bulletin 118 (SAB 118) which provided for up to a one-year period in which to complete the required analysis and accounting for the TCJA. The one-year period is now complete and the final impact was immaterial.

Excise Taxes. We collect excise taxes from our customers levied by government entities. These taxes are stated separately on the billing to the customer and recorded as a liability to be remitted to the government entity. We account for the collection and payment of these taxes on a net basis.

Purchase Accounting. In accordance with authoritative accounting guidance, the purchase price of an acquired business is generally allocated to the assets acquired and liabilities assumed at their estimated fair values on the date of acquisition. Any unallocated purchase price amount is recognized as goodwill on the Consolidated Balance Sheet if it exceeds the estimated fair value and as a bargain purchase gain on the Consolidated Income Statement if it is below the estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, and the utilization of independent valuation experts as well as the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. The judgments made in the determination of the estimated fair value assigned to the assets acquired and liabilities assumed, as well as the estimated useful life of each asset and the duration of each liability, can materially impact the financial statements in periods after acquisition, such as through depreciation and amortization expense. (See Note 6. Acquisitions.)

New Accounting Pronouncements.

Recently Adopted Pronouncements

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. In February 2018, the FASB issued an update allowing for a one-time reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the enactment of the TCJA. With the enactment of the new federal tax rates in 2017, entities were required to adjust deferred income tax assets and liabilities to reflect the lower federal rate. The effect of this reduction impacted income from continuing operations in the period of enactment, even in instances where the related income tax effects of items were originally recognized in other comprehensive income. As such, companies were left with stranded tax effects in accumulated other comprehensive income that did not reflect the appropriate tax rate. This guidance is effective in the first quarter of 2019 with early adoption permitted. The Company elected to early adopt this guidance in the first quarter of 2018, which resulted in a reduction of $5.7 million to Accumulated Other Comprehensive Loss and a corresponding increase to Retained Earnings for the reclassification of the stranded income tax effects.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. In March 2017, the FASB issued an accounting standard update to improve the presentation of net periodic pension and postretirement benefit costs. Under the guidance, an entity is required to present the service cost component of the net periodic benefit cost in the same income statement line as other employee compensation costs arising from services rendered during the period. The guidance also allows only the service cost component of the periodic cost to be eligible for capitalization on a prospective basis. The other components of net periodic expense must be presented separately from the line item that includes the service cost and must be excluded from the operating income subtotal. The Company adopted the guidance in the first quarter of 2018 and retrospectively adjusted the presentation of the service cost component and the other components of net periodic costs in the Consolidated Statement of Income. The retrospective adjustments for the years ended December 31, 2017, and 2016, were as follows: Operating and Maintenance increased $4.2 million and $6.8 million, respectively, and Cost of Sales – Non-utility decreased $0.3 million in each year, resulting in an increase of $3.9 million and $6.5 million, respectively, to Other Income (Expense) – Other. There was no impact to net income as a result of adoption.

Financial Instruments. In 2016, the FASB issued an accounting standard update which requires entities to measure equity investments at fair value and recognize any changes in fair value in net income unless the investments qualify for the practicability exception. The practicability exception will be available for equity investments that do not have readily determinable fair values. The update was adopted by the Company in the first quarter of 2018 which resulted in a cumulative-effect transition adjustment reducing Retained Earnings by $0.1 million, including the tax effect, for the previously unrealized loss on available-for-sale equity securities in Accumulated Other Comprehensive Loss as of December 31, 2017.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)
New Accounting Pronouncements (Continued)

Classification of Certain Cash Receipts and Cash Payments. In 2016, the FASB issued an accounting standard update which addresses the following eight specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments of this update were adopted by the Company in the first quarter of 2018. The adoption of this standard update resulted in an increase to Cash from Operating Activities of $2.9 million and a decrease to Cash for Financing Activities of a corresponding amount for the year ending December 31, 2016, due to the reclassification of debt extinguishment costs incurred by ALLETE Clean Energy in 2016.

Statement of Cash Flows: Restricted Cash. In 2016, the FASB issued an accounting standard update related to the presentation of restricted cash in the Company's Consolidated Statement of Cash Flows. The update requires that the Consolidated Statement of Cash Flows explain the change during the period in cash, cash equivalents and restricted cash. Restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statement of Cash Flows. This standard update was adopted by the Company in the first quarter of 2018 and was applied retrospectively to the periods presented in the Consolidated Statement of Cash Flows, which resulted in a net decrease for Cash for Financing Activities of $0.4 million and $0.7 million for the years ended December 31, 2017 and 2016, respectively, and a decrease in Cash for Investing Activities of $4.1 million for the year ended December 31, 2016. A reconciliation of Cash and Cash Equivalents presented on the Consolidated Balance Sheet to Cash, Cash Equivalents and Restricted Cash presented on the Consolidated Statement of Cash Flows can be found above under *Cash, Cash Equivalents and Restricted Cash*.

Revenue from Contracts with Customers. In 2014, the FASB issued amended revenue recognition guidance that clarifies the principles for recognizing revenue from contracts with customers by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The guidance requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to in exchange for those goods or services. The guidance requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures regarding customer contracts, significant judgments and changes in those judgments, and the assets recognized from the costs to obtain or fulfill a contract are required. The Company adopted this accounting guidance in the first quarter of 2018 and elected to apply the modified retrospective method of adoption to all contracts as of the date of initial application. The financial impact to the consolidated financial statements as a result of adoption of the new standard is immaterial. Based on the nature of the contracts with our customers and our related performance obligations which transfer control, a $0.5 million after-tax cumulative-effect transition adjustment was made to increase the opening balance of Retained Earnings. We have included additional disclosures in the notes to the consolidated financial statements including additional information on the Company's revenue streams and related performance obligations required to be satisfied in order to recognize revenue. (See *Revenue Recognition*.)

Practical Expedients

The following practical expedients were used by the Company as part of the adoption of the new revenue recognition guidance:

- We have a right to consideration from our customers in an amount that corresponds directly with the value to such customer for performance completed to date; therefore, we may recognize revenue in the amount to which we have a right to invoice.
- We do not adjust the promised amount of consideration for the effects of a significant financing component as at contract inception we expect that the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service will be one year or less.
- Where applicable, we adopted this guidance using the portfolio approach in which contracts that have similar characteristics were reviewed as a portfolio. The effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying the guidance to each individual contract.
- We recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would otherwise have been recognized is one year or less.

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Pronouncements

*Simplifying the Test for Goodwill Impairmen*t. In January 2017, the FASB issued updated guidance which simplifies the measurement of goodwill impairment by removing step two of the goodwill impairment test that requires the determination of the fair value of individual assets and liabilities of a reporting unit. The updated guidance requires goodwill impairment to be measured as the amount by which a reporting unit's carrying value exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This guidance is effective for the Company beginning in the first quarter of 2020, with early adoption permitted on a prospective basis.

Leases. In 2016, the FASB issued an accounting standard update which revises the existing guidance for leases. Under the revised guidance, lessees will be required to recognize a "right-of-use" asset and a lease liability for all leases with a term greater than 12 months. The new standard also requires additional quantitative and qualitative disclosures by lessees and lessors to enable users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The accounting for leases by lessors and the recognition, measurement, and presentation of expenses and cash flows from leases are not expected to significantly change as a result of the new guidance. As of December 31, 2018, the Company has reviewed all of its leases, completing our evaluation of the impact of this guidance. At adoption, we expect to recognize right-of-use assets and lease liabilities of approximately $36 million, which represents the discounted future minimum operating lease payments. The Company will adopt and implement the new guidance utilizing the additional optional transition method and package of practical expedients in the period of adoption without retrospective adjustment. Management continues to finalize additional qualitative and quantitative disclosures to meet the requirements of the new standard following adoption. The revised guidance is effective for the Company beginning in the first quarter of 2019.

Reclassification of Prior Income Statement. Beginning with the first quarter of 2018, the Company enhanced its presentation of Operating Revenue on the Consolidated Statement of Income by presenting the caption Operating Revenue separately as Contracts with Customers – Utility, Contracts with Customers – Non-utility, and Other – Non-utility. In conformity with the current presentation, we now present $1,063.8 million and $1,000.7 million of Operating Revenue as Contracts with Customers – Utility for the years ended December 31, 2017, and 2016, respectively, as it is generated from our regulated utility operations. Non-utility revenue of $331.9 million and $316.7 million as well as $23.6 million and $22.3 million for the years ended December 31, 2017, and 2016 respectively, is now presented as Contracts with Customers – Non-utility and Other – Non-utility, respectively.

Consolidated Statement of Income. In 2018, we recognized a $4.4 million reduction in revenue for MISO rates that were billed in 2017 and are expected to be credited to customers in 2019. We have evaluated the effect of this out-of-period adjustment on the years ended December 31, 2018, and 2017, and concluded that this adjustment is not material to any of the periods affected.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

As of December 31	2018	2017
Millions		
Regulated Operations		
Property, Plant and Equipment in Service	$4,490.6	$4,523.7
Construction Work in Progress	251.1	121.6
Accumulated Depreciation	(1,549.6)	(1,520.5)
Regulated Operations – Net	3,192.1	3,124.8
ALLETE Clean Energy		
Property, Plant and Equipment in Service	488.4	482.5
Construction Work in Progress	164.5	144.9
Accumulated Depreciation	(73.0)	(60.8)
ALLETE Clean Energy – Net	579.9	566.6
U.S. Water Services		
Property, Plant and Equipment in Service	30.1	24.8
Accumulated Depreciation	(14.0)	(10.4)
U.S. Water Services – Net	16.1	14.4
Corporate and Other *(a)*		
Property, Plant and Equipment in Service	214.3	204.7
Construction Work in Progress	6.6	5.0
Accumulated Depreciation	(104.6)	(93.1)
Corporate and Other – Net	116.3	116.6
Property, Plant and Equipment – Net	$3,904.4	$3,822.4

(a) Primarily includes BNI Energy and a small amount of non-rate base generation.

Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets.

Estimated Useful Lives of Property, Plant and Equipment (Years)

Regulated Operations		ALLETE Clean Energy	5 to 35
Generation	5 to 50	U.S. Water Services	5 to 39
Transmission	52 to 71	Corporate and Other	3 to 50
Distribution	19 to 68		

Asset Retirement Obligations. We recognize, at fair value, obligations associated with the retirement of certain tangible, long-lived assets that result from the acquisition, construction, development or normal operation of the asset. Asset retirement obligations (AROs) relate primarily to the decommissioning of our coal-fired and wind energy facilities, and land reclamation at BNI Energy. AROs are included in Other Non-Current Liabilities on the Consolidated Balance Sheet. The associated retirement costs are capitalized as part of the related long-lived asset and depreciated over the useful life of the asset. Removal costs associated with certain distribution and transmission assets have not been recognized, as these facilities have indeterminate useful lives.

Conditional asset retirement obligations have been identified for treated wood poles and remaining polychlorinated biphenyl and asbestos-containing assets; however, the period of remediation is indeterminable and removal liabilities have not been recognized.

Long-standing ratemaking practices approved by applicable state and federal regulatory authorities have allowed provisions for future plant removal costs in depreciation rates. These plant removal cost recoveries are classified either as AROs or as a regulatory liability for non-AROs. To the extent annual accruals for plant removal costs differ from accruals under approved depreciation rates, a regulatory asset has been established in accordance with GAAP for AROs. (See Note 4. Regulatory Matters.)

Asset Retirement Obligations	
Millions	
Obligation as of December 31, 2016	$136.6
Accretion	7.6
Liabilities Settled	(5.9)
Revisions in Estimated Cash Flows	(15.6)
Obligation as of December 31, 2017	122.7
Accretion	7.0
Liabilities Settled	(5.3)
Revisions in Estimated Cash Flows	14.2
Obligation as of December 31, 2018	$138.6

NOTE 3. JOINTLY-OWNED FACILITIES AND ASSETS

Boswell Unit 4. Minnesota Power owns 80 percent of the 585 MW Boswell Unit 4. While Minnesota Power operates the plant, certain decisions about the operations of Boswell Unit 4 are subject to the oversight of a committee on which it and WPPI Energy, the owner of the remaining 20 percent, have equal representation and voting rights. Each owner must provide its own financing and is obligated to its ownership share of operating costs. Minnesota Power's share of operating expenses for Boswell Unit 4 is included in Operating Expenses on the Consolidated Statement of Income.

CapX2020. Minnesota Power was a participant in the CapX2020 initiative which represented an effort to ensure electric transmission and distribution reliability in Minnesota and the surrounding region for the future. CapX2020, which consisted of electric cooperatives and municipal and investor-owned utilities, including Minnesota's largest transmission owners, assessed the transmission system and projected growth in customer demand for electricity through 2020. Minnesota Power participated in certain CapX2020 projects which were completed and placed in service by 2015.

Minnesota Power's investments in jointly-owned facilities and projects and the related ownership percentages are as follows:

Regulated Utility Plant	Plant in Service	Accumulated Depreciation	Construction Work in Progress	% Ownership
Millions				
As of December 31, 2018				
Boswell Unit 4	$650.1	$229.9	$6.4	80
CapX2020	101.0	11.0	—	9.3 - 14.7
Total	$751.1	$240.9	$6.4	
As of December 31, 2017				
Boswell Unit 4	$668.2	$222.8	$8.2	80
CapX2020	101.0	8.4	—	9.3 - 14.7
Total	$769.2	$231.2	$8.2	

NOTE 4. REGULATORY MATTERS

Electric Rates. Entities within our Regulated Operations segment file for periodic rate revisions with the MPUC, PSCW or FERC. As authorized by the MPUC, Minnesota Power also recognizes revenue under cost recovery riders for transmission, renewable and environmental investments and expenditures. (See *Transmission Cost Recovery Rider, Renewable Cost Recovery Rider* and *Environmental Improvement Rider*.) Revenue from cost recovery riders was $103.8 million in 2018 ($96.9 million in 2017; $97.1 million in 2016). With the implementation of final rates in Minnesota Power's general rate case, certain revenue previously recognized under cost recovery riders was incorporated into base rates. (See *2016 Minnesota General Rate Case.*)

NOTE 4. REGULATORY MATTERS (Continued)
Electric Rates (Continued)

2016 Minnesota General Rate Case. In November 2016, Minnesota Power filed a retail rate increase request with the MPUC which sought an average increase of approximately 9 percent for retail customers. The rate filing sought a return on equity of 10.25 percent and a 53.81 percent equity ratio. The MPUC issued an order dated March 12, 2018, in Minnesota Power's general rate case approving a return on common equity of 9.25 percent and a 53.81 percent equity ratio. Final rates went into effect on December 1, 2018, which is expected to result in additional revenue of approximately $13 million on an annualized basis. Interim rates were collected from January 1, 2017, through November 30, 2018, which were fully offset by the recognition of a corresponding reserve. Minnesota Power has recorded a reserve for an interim rate refund, net of discounts provided to EITE customers, of $40.0 million as of December 31, 2018 ($23.7 million as of December 31, 2017) which is expected to be refunded in 2019. The MPUC also disallowed Minnesota Power's regulatory asset for deferred fuel adjustment clause costs due to the anticipated adoption of a forward-looking fuel adjustment clause methodology resulting in a $19.5 million pre-tax charge to Fuel, Purchased Power and Gas – Utility in 2017. As part of its decision in Minnesota Power's 2016 general rate case, the MPUC also extended the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2050 primarily to mitigate rate increases for our customers, and shortened the depreciable lives of Boswell Unit 1 and Unit 2 to 2022, resulting in a net decrease to depreciation expense of approximately $25 million in the fourth quarter of 2017.

On April 2, 2018, Minnesota Power filed a petition with the MPUC requesting reconsideration of certain decisions in the MPUC's order dated March 12, 2018. In an order dated May 29, 2018, the MPUC denied Minnesota Power's petition for reconsideration and accepted a Minnesota Department of Commerce request for reconsideration reducing the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035 while utilizing the benefits of the lower federal income tax rate enacted as part of the TCJA to mitigate the impact on customer rates.

Energy-Intensive Trade-Exposed Customer Rates. An EITE customer ratemaking law was enacted in 2015 establishing a Minnesota energy policy to have competitive rates for certain industries such as mining and forest products. The MPUC approved a reduction in rates for EITE customers in a December 2016 order and subsequently approved cost recovery in an April 2017 order. Minnesota Power expects the discount to EITE customers to be approximately $16 million annually based on EITE customer current operating levels. While interim rates were in effect for Minnesota Power's 2016 general rate case, discounts provided to EITE customers offset interim rate refund reserves for non-EITE customers. Minnesota Power provided $16.7 million of discounts to EITE customers during the year ended December 31, 2018 ($8.6 million and none for the years ended December 31, 2017, and 2016, respectively).

FERC-Approved Wholesale Rates. Minnesota Power has 16 non-affiliated municipal customers in Minnesota. SWL&P is a Wisconsin utility and a wholesale customer of Minnesota Power. All wholesale contracts include a termination clause requiring a three-year notice to terminate.

Minnesota Power's wholesale electric contract with the Nashwauk Public Utilities Commission is effective through at least December 31, 2032. No termination notice may be given for this contract prior to July 1, 2029. The wholesale electric service contracts with SWL&P and another municipal customer are effective through at least February 28, 2022, and through June 30, 2019, respectively. Under the agreement with SWL&P, no termination notice has been given. The other municipal customer provided termination notice for its contract in 2016. Minnesota Power currently provides approximately 29 MW of average monthly demand to this customer. The rates included in these three contracts are set each July 1 based on a cost-based formula methodology, using estimated costs and a rate of return that is equal to Minnesota Power's authorized rate of return for Minnesota retail customers. The formula-based rate methodology also provides for a yearly true-up calculation for actual costs incurred.

Minnesota Power's wholesale electric contracts with 14 municipal customers are effective through varying dates ranging from 2024 through 2029. No termination notices may be given prior to three years before maturity. These contracts include fixed capacity charges through 2018; beginning in 2019, the capacity charge will be determined using a cost-based formula methodology with limits on the annual change from the previous year's capacity charge. The base energy charge for each year of the contract term will be set each January 1, subject to monthly adjustment, and will also be determined using a cost-based formula methodology.

Transmission Cost Recovery Rider. Minnesota Power has an approved cost recovery rider for certain transmission investments and expenditures. In a 2016 order, the MPUC approved Minnesota Power's updated customer billing rates which allows Minnesota Power to charge retail customers on a current basis for the costs of constructing certain transmission facilities plus a return on the capital invested. As a result of the MPUC approval of the certificate of need for the GNTL in 2015, the project is eligible for cost recovery under the existing transmission cost recovery rider. Minnesota Power is funding the construction of the GNTL with a subsidiary of Manitoba Hydro (see *Great Northern Transmission Line*), and anticipates including its portion of the investments and expenditures for the GNTL in future transmission bill factor filings.

NOTE 4. REGULATORY MATTERS (Continued)
Electric Rates (Continued)

Renewable Cost Recovery Rider. Minnesota Power has an approved cost recovery rider for certain renewable investments and expenditures. The cost recovery rider allows Minnesota Power to charge retail customers on a current basis for the costs of certain renewable investments plus a return on the capital invested. Updated customer billing rates for the renewable cost recovery rider were approved by the MPUC in an order dated November 19, 2018.

Minnesota Power also has approval for current cost recovery of investments and expenditures related to compliance with the Minnesota Solar Energy Standard. (See *Minnesota Solar Energy Standard.*) Currently, there is no approved customer billing rate for solar costs.

In a November 2016 order, the MPUC directed Minnesota Power to attribute all North Dakota investment tax credits realized from Bison to Minnesota Power regulated retail customers. As a result of the adverse regulatory outcome, Minnesota Power recorded a regulatory liability and a reduction in Operating Revenue of $15.0 million in 2016. The North Dakota investment tax credits previously recognized as income tax credits in Corporate and Other were reversed in 2016 resulting in an $8.8 million charge to net income in 2016. In December 2016, Minnesota Power submitted a request for reconsideration with the MPUC.

In a December 2017 order, the MPUC modified its November 2016 order to allow Minnesota Power to account for North Dakota investment tax credits based on the long-standing regulatory precedents of stand-alone allocation methodology of accounting for income taxes. As a result of the favorable regulatory outcome, Minnesota Power recorded a reduction in its regulatory liability and an increase in Operating Revenue of $14.0 million in 2017. The North Dakota investment tax credits previously recorded were reestablished as income tax credits in Corporate and Other, resulting in a $7.9 million increase to net income in 2017.

The stand-alone method provides that income taxes (and credits) are calculated as if Minnesota Power was the only entity included in ALLETE's consolidated federal and unitary state income tax returns. Minnesota Power has recorded a regulatory liability for North Dakota investment tax credits generated by its jurisdictional activity and expected to be realized in the future. North Dakota investment tax credits attributable to ALLETE's apportionment and income of ALLETE's other subsidiaries are included in Corporate and Other operations.

Environmental Improvement Rider. Minnesota Power has an approved environmental improvement rider for investments and expenditures related to the implementation of the Boswell Unit 4 mercury emissions reduction plan completed in 2015. Updated customer billing rates for the environmental improvement rider were approved by the MPUC in an order dated November 19, 2018.

Fuel Adjustment Clause Reform. In a December 2017 order, the MPUC adopted a program to implement certain procedural reforms to the Minnesota utilities' automatic fuel adjustment clause (FAC) for fuel and purchased power. The order will change the method of accounting for all Minnesota electric utilities to a monthly budgeted, forwarded-looking FAC with an annual prudence review and true-up to actual allowed costs. The MPUC is seeking input from Minnesota electric utilities and other stakeholders on the implementation and transition accounting needed to adopt the change. At a hearing on January 18, 2018, the MPUC disallowed recovery of Minnesota Power's regulatory asset for deferred fuel adjustment clause costs due to the anticipated adoption of the forward-looking fuel adjustment clause methodology resulting in a $19.5 million pre-tax charge to Fuel, Purchased Power and Gas – Utility in 2017. In an order dated December 12, 2018, the MPUC deferred the implementation date to January 1, 2020.

Tax Cuts and Jobs Act of 2017. In December 2017, the MPUC opened a docket to review the effects of the TCJA on electric and natural gas rates and services in Minnesota, including the legislation's impact on tax rates and utilities' deferred income tax assets and liabilities. On March 2, 2018, Minnesota Power submitted an initial filing to the MPUC regarding the impacts of the TCJA on Minnesota Power. As part of Minnesota Power's rate case, in an order dated May 29, 2018, the MPUC directed Minnesota Power to utilize the benefits of the lower federal income tax rate enacted as part of the TCJA to offset an increase in depreciation expense, effective January 1, 2018, resulting from the reduction in the depreciable lives of Boswell Unit 3, Unit 4 and common facilities to 2035 that would have otherwise resulted in an increase in customer rates. The impact of the TCJA on Minnesota Power's deferred income tax assets and liabilities was not addressed in the rate case order.

In an order dated December 5, 2018, the MPUC determined the regulatory treatment for the impact of the TCJA on Minnesota Power's deferred income tax assets and liabilities. The MPUC authorized Minnesota Power to amortize the income tax benefits from the remeasurement of deferred income tax assets and liabilities resulting from the TCJA primarily over the life of the related property, plant and equipment with the remainder amortized over a 10-year period. The MPUC directed Minnesota Power to return these excess deferred income tax benefits as a monthly bill credit beginning with the implementation of final rates on December 1, 2018. Additionally, Minnesota Power customers will receive a one-time bill credit in 2019 for the benefit of the excess deferred income taxes from January 1, 2018, through November 30, 2018.

On January 10, 2018, the PSCW opened a docket to review the effects of the TCJA and directed Wisconsin utilities to defer its impacts until further direction was provided by the PSCW. In an order dated May 24, 2018, the PSCW directed SWL&P to refund the benefits of the lower federal income tax rates enacted as part of the TCJA on customer bills beginning in July 2018. In an order dated December 20, 2018, the PSCW directed SWL&P to return the excess deferred income tax benefits for 2018 in 2019 and 2020, and include the return of excess deferred income tax benefits going forward in final rates effective January 1, 2019, with a true-up in its next rate case. (See *2018 Wisconsin General Rate Case.*) These excess deferred income tax benefits for SWL&P will be returned primarily over the life of the related property, plant and equipment with the remainder amortized over a 4-year period.

2016 Wisconsin General Rate Case. SWL&P's retail rates in 2018 were based on a 2017 PSCW retail rate order effective August 2017 that allowed for a 10.5 percent return on common equity and a 55 percent equity ratio. SWL&P's retail rates prior to August 2017, were based on a 2012 PSCW retail rate order that provided for a 10.9 percent return on equity.

2018 Wisconsin General Rate Case. On May 25, 2018, SWL&P filed a rate increase request with the PSCW requesting an average increase of 2.7 percent for retail customers (2.0 percent increase in electric rates; 2.3 percent increase in natural gas rates; and 8.3 percent increase in water rates). The filing sought an overall return on equity of 10.5 percent and a 55.41 percent equity ratio. In an order dated December 20, 2018, the PSCW approved a rate increase for SWL&P including a return on equity of 10.4 percent and a 55.0 percent equity ratio. Final rates went into effect January 1, 2019, which is expected to result in additional revenue of approximately $1.3 million on an annualized basis.

Integrated Resource Plan. In 2015, Minnesota Power filed its 2015 IRP with the MPUC which included an analysis of a variety of existing and future energy resource alternatives and a projection of customer cost impact by class. The 2015 IRP also contained steps in Minnesota Power's *EnergyForward* strategic plan including the economic idling of Taconite Harbor Units 1 and 2 which occurred in 2016, the ceasing of coal-fired operations at Taconite Harbor in 2020, and the addition of between 200 MW and 300 MW of natural gas-fired generation. In a 2016 order, the MPUC approved Minnesota Power's 2015 IRP with modifications. The order accepted Minnesota Power's plans for Taconite Harbor, directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct request for proposals for additional wind, solar and demand response resource additions subject to further MPUC approvals. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018.

In July 2017, Minnesota Power submitted a resource package to the MPUC requesting approval of PPAs for the output of a 250 MW wind energy facility and a 10 MW solar energy facility as well as approval of a 250 MW natural gas capacity dedication agreement. These agreements were subject to MPUC approval of the construction of NTEC, a 525 MW to 550 MW combined-cycle natural gas-fired generating facility which will be jointly owned by Dairyland Power Cooperative and a subsidiary of ALLETE. Minnesota Power would purchase approximately 50 percent of the facility's output starting in 2025. In an order dated January 24, 2019, the MPUC approved Minnesota Power's request for approval of the NTEC natural gas capacity dedication agreement. Separately, the MPUC required a baseload retirement evaluation in Minnesota Power's next IRP filing analyzing its existing fleet including potential early retirement scenarios of Boswell Units 3 and 4, including a securitization plan. The MPUC also approved Minnesota Power's request to extend the next IRP filing deadline until October 1, 2020. On January 8, 2019, an application for a certificate of public convenience and necessity for NTEC was submitted to the PSCW. A decision on the application is expected in 2020.

On June 18, 2018, Minnesota Power filed a separate petition for approval of the PPA for the output of the 10 MW solar energy facility to be located in central Minnesota, which was approved by the MPUC in an order dated October 2, 2018. On August 22, 2018, Minnesota Power filed a separate petition for approval of an amended PPA for the output of the 250 MW wind energy facility to be located in southwestern Minnesota which was approved in an order dated January 23, 2019. (See Note 5. Equity Investments.)

Great Northern Transmission Line. Minnesota Power is constructing the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro. In a 2016 order, the MPUC approved the route permit for the GNTL, and in 2016, the U.S. Department of Energy issued a presidential permit to cross the U.S.-Canadian border, which was the final major regulatory approval needed before construction in the U.S. could begin. Site clearing and pre-construction activities commenced in the first quarter of 2017 with construction expected to be completed in 2020. To date, most of the right-of-way has been cleared while foundation installation and transmission tower construction have commenced. The total project cost in the U.S., including substation work, is estimated to be between $560 million and $710 million, of which Minnesota Power's portion is expected to be between $300 million and $350 million; the difference will be recovered from a subsidiary of Manitoba Hydro as non-shareholder contributions to capital. Total project costs of $380.8 million have been incurred through December 31, 2018, of which $203.7 million has been recovered from a subsidiary of Manitoba Hydro.

NOTE 4. REGULATORY MATTERS (Continued)
Great Northern Transmission Line (Continued)

Manitoba Hydro must obtain regulatory and governmental approvals related to the MMTP, a new transmission line in Canada that will connect with the GNTL. (See Note 11. Commitments, Guarantees and Contingencies.)

Minnesota Power's portion of the investments and expenditures for the project are eligible for cost recovery under its existing transmission cost recovery rider and are anticipated to be included in future transmission cost recovery filings. (See *Transmission Cost Recovery Rider*.) Minnesota Power also has FERC approval to recover on construction work in progress related to the GNTL from Minnesota Power's wholesale customers.

Conservation Improvement Program. Minnesota requires electric utilities to spend a minimum of 1.5 percent of gross operating revenues, excluding revenue received from exempt customers, from service provided in the state on energy CIPs each year. In November 2017, the Minnesota Department of Commerce approved Minnesota Power's modified CIP triennial filing for 2017 through 2019, which outlined Minnesota Power's CIP spending and energy-saving goals for those years. Minnesota Power's CIP investment goal was $10.3 million for 2018 ($10.3 million for 2017; $7.3 million for 2016), with actual spending of $9.0 million in 2018 ($8.1 million in 2017; $7.4 million in 2016). The investment goal for 2019 is $10.5 million.

On April 2, 2018, Minnesota Power submitted its 2017 CIP consolidated filing, which detailed Minnesota Power's CIP program results and requested a CIP financial incentive of $3.0 million based on MPUC procedures. In an order dated September 4, 2018, the MPUC approved Minnesota Power's CIP consolidated filing, including the requested CIP financial incentive which was recorded as revenue and as a regulatory asset in 2018. The approved financial incentive will be recovered in customer billing rates in 2018 and 2019. In 2017 and 2016, the CIP financial incentives recognize were $5.5 million and $7.5 million, respectively. CIP financial incentives are recognized in the period in which the MPUC approves the filing.

MISO Return on Equity Complaint. MISO transmission owners, including ALLETE and ATC, have an authorized return on equity of 10.32 percent, or 10.82 percent including an incentive adder for participation in a regional transmission organization.

In 2016, a federal administrative law judge ruled on a complaint proposing a reduction in the base return on equity to 9.70 percent, or 10.20 percent including an incentive adder for participation in a regional transmission organization, subject to approval or adjustment by the FERC. A final decision from the FERC on the administrative law judge's recommendation is pending, which is not expected to have a material impact on our Consolidated Financial Statements.

Minnesota Solar Energy Standard. Minnesota law requires at least 1.5 percent of total retail electric sales, excluding sales to certain customers, to be generated by solar energy by the end of 2020. At least 10 percent of the 1.5 percent mandate must be met by solar energy generated by or procured from solar photovoltaic devices with a nameplate capacity of 40 kW or less and community solar garden subscriptions.

Minnesota Power's solar energy supply consists of Camp Ripley, a 10 MW solar energy facility at the Camp Ripley Minnesota Army National Guard base and training facility near Little Falls, Minnesota, and a community solar garden project in northeastern Minnesota, which is comprised of a 1 MW solar array owned and operated by a third party with the output purchased by Minnesota Power and a 40 kW solar array that is owned and operated by Minnesota Power. In an order dated October 2, 2018, the MPUC approved a PPA for the output of the 10 MW Blanchard solar energy facility to be located in central Minnesota. Minnesota Power expects that Camp Ripley, the community solar garden arrays, the PPA for the output of the 10 MW Blanchard solar energy facility, and an increase in solar rebates will allow Minnesota Power to meet both parts of the solar mandate.

Regulatory Assets and Liabilities. Our regulated utility operations are subject to accounting guidance for the effect of certain types of regulation. Regulatory assets represent incurred costs that have been deferred as they are probable for recovery in customer rates. Regulatory liabilities represent obligations to make refunds to customers and amounts collected in rates for which the related costs have not yet been incurred. The Company assesses quarterly whether regulatory assets and liabilities meet the criteria for probability of future recovery or deferral. With the exception of the regulatory asset for Boswell Units 1 and 2, no other regulatory assets are currently earning a return. The recovery, refund or credit to rates for these regulatory assets and liabilities will occur over the periods either specified by the applicable regulatory authority or over the corresponding period related to the asset or liability.

Regulatory Assets and Liabilities As of December 31 Millions	2018	2017
Non-Current Regulatory Assets		
Defined Benefit Pension and Other Postretirement Benefit Plans *(b)*	$218.5	$220.3
Income Taxes *(c)*	105.5	112.8
Asset Retirement Obligations *(d)*	32.6	29.6
Boswell 1 & 2 *(l)*	16.3	—
Manufactured Gas Plant *(e)*	8.0	8.1
PPACA Income Tax Deferral	5.0	5.0
Conservation Improvement Program *(f)*	—	3.3
Other	3.6	5.6
Total Non-Current Regulatory Assets	$389.5	$384.7
Current Regulatory Liabilities *(a)*		
Provision for Interim Rate Refund *(i)*	$40.0	—
Provision for Tax Reform Refund *(j)*	10.7	—
Transmission Formula Rates	4.4	—
Total Current Regulatory Liabilities	55.1	—
Non-Current Regulatory Liabilities		
Income Taxes *(c)*	396.4	$411.2
Wholesale and Retail Contra AFUDC *(h)*	64.4	57.9
Provision for Interim Rate Refund *(i)*	—	23.7
Plant Removal Obligations	25.1	20.3
North Dakota Investment Tax Credits *(k)*	14.7	14.1
Cost Recovery Riders *(g)*	6.9	2.2
Transmission Formula Rates	1.6	—
Other	3.0	2.6
Total Non-Current Regulatory Liabilities	512.1	532.0
Total Regulatory Liabilities	$567.2	$532.0

(a) Current regulatory liabilities are presented within Other Current Liabilities on the Consolidated Balance Sheet.

(b) Defined benefit pension and other postretirement items included in our Regulated Operations, which are otherwise required to be recognized in accumulated other comprehensive income as actuarial gains and losses as well as prior service costs and credits, are recognized as regulatory assets or regulatory liabilities on the Consolidated Balance Sheet. The asset or liability will decrease as the deferred items are amortized and recognized as components of net periodic benefit cost. (See Note 15. Pension and Other Postretirement Benefit Plans.)

(c) These costs represent the difference between deferred income taxes recognized for financial reporting purposes and amounts previously billed to our customers. The balances will primarily decrease over the remaining life of the related temporary differences and flow through current income taxes.

(d) Asset retirement obligations will accrete and be amortized over the lives of the related property with asset retirement obligations.

(e) The manufactured gas plant regulatory asset represents costs of remediation for a former manufactured gas plant site located in Superior, Wisconsin, and formerly operated by SWL&P. We expect recovery of these remediation costs to be allowed by the PSCW in rates over time.

(f) The conservation improvement program regulatory asset represents CIP expenditures, any financial incentive earned for cost-effective program achievements and a carrying charge deferred for future cost recovery over the next year following MPUC approval.

(g) The cost recovery rider regulatory liabilities are cash collections from our customers in excess of revenue recognized, primarily due to capital expenditures related to Bison, investment in CapX2020 projects, the Boswell Unit 4 environmental upgrade and the GNTL. The cost recovery rider regulatory liabilities as of December 31, 2018, will be returned within the next two years.

(h) Wholesale and retail contra AFUDC represents amortization to offset AFUDC Equity and Debt recorded during the construction period of our cost recovery rider projects prior to placing the projects in service. The regulatory liability will decrease over the remaining depreciable life of the related asset.

(i) This amount is expected to be refunded to Minnesota Power's regulated retail customers in 2019 and includes $23.8 million of discounts provided to EITE customers as of December 31, 2018, that will be offset against interim rate refunds ($8.6 million as of December 31, 2017). (See 2016 Minnesota General Rate Case and Energy-Intensive Trade-Exposed Customer Rates.)

(j) Provision for tax reform refund is expected to be refunded to Minnesota Power customers in the first quarter of 2019 and SWL&P customers in 2019 and 2020. (See Tax Cuts and Jobs Act of 2017.)

(k) North Dakota investment tax credits expected to be realized from Bison that will be credited to Minnesota Power's regulated retail customers through future renewable cost recovery rider filings as the tax credits are utilized.

(l) In December 2018, Minnesota Power retired Boswell Units 1 and 2 and reclassified the remaining net book value from property, plant and equipment to a regulatory asset on the Consolidated Balance Sheet. The remaining net book value is currently included in Minnesota Power's rate base and Minnesota Power is earning a return on the outstanding balance.

NOTE 5. EQUITY INVESTMENTS

Investment in ATC. Our wholly-owned subsidiary, ALLETE Transmission Holdings, owns approximately 8 percent of ATC, a Wisconsin-based utility that owns and maintains electric transmission assets in portions of Wisconsin, Michigan, Minnesota and Illinois. We account for our investment in ATC under the equity method of accounting. As of December 31, 2018, our equity investment in ATC was $128.1 million ($118.7 million as of December 31, 2017). On January 31, 2019, we invested an additional $0.4 million in ATC. In total, we expect to invest approximately $8.5 million in 2019.

ALLETE's Investment in ATC

Year Ended December 31	2018	2017
Millions		
Equity Investment Beginning Balance	$118.7	$135.6
Cash Investments	6.2	7.8
Equity in ATC Earnings	17.5	22.5
Distributed ATC Earnings	(15.2)	(19.3)
Remeasurement of Deferred Income Taxes *(a)*	—	(27.9)
Amortization of the Remeasurement of Deferred Income Taxes	0.9	—
Equity Investment Ending Balance	$128.1	$118.7

(a) Impact of the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

ATC Summarized Financial Data

Balance Sheet Data

As of December 31	2018	2017
Millions		
Current Assets	$87.2	$87.7
Non-Current Assets	4,928.8	4,598.9
Total Assets	$5,016.0	$4,686.6
Current Liabilities	$640.0	$767.2
Long-Term Debt	2,014.0	1,790.6
Other Non-Current Liabilities	295.3	240.3
Members' Equity	2,066.7	1,888.5
Total Liabilities and Members' Equity	$5,016.0	$4,686.6

Income Statement Data

Year Ended December 31	2018	2017	2016
Millions			
Revenue	$690.5	$721.6	$650.8
Operating Expense	358.7	344.9	322.5
Other Expense	108.3	104.1	95.5
Net Income	$223.5	$272.6	$232.8
ALLETE's Equity in Net Income	$17.5	$22.5	$18.5

ATC's authorized return on equity is 10.32 percent, or 10.82 percent including an incentive adder for participation in a regional transmission organization.

In 2016, a federal administrative law judge ruled on a complaint proposing a reduction in the base return on equity to 9.70 percent, or 10.20 percent including an incentive adder for participation in a regional transmission organization, subject to approval or adjustment by the FERC. A final decision from the FERC on the administrative law judge's recommendation is pending.

NOTE 5. EQUITY INVESTMENTS (Continued)

Investment in Nobles 2. On December 27, 2018, our wholly-owned subsidiary, ALLETE South Wind, entered into a partnership agreement with Tenaska to purchase a 49 percent equity interest in Nobles 2, the entity that will own and operate a 250 MW wind energy facility in southwestern Minnesota pursuant to a 20-year PPA with Minnesota Power. The wind energy facility will be built in Nobles County, Minnesota and is expected to be completed in late 2020, with an estimated total project cost of approximately $350 million to $400 million of which our portion is expected to be approximately $170 million to $200 million. We expect to utilize tax equity to finance a portion of our project costs, with an ALLETE expected equity investment of approximately $60 million to $70 million. We account for our investment in Nobles 2 under the equity method of accounting. As of December 31, 2018, our equity investment in Nobles 2 was $33.0 million.

NOTE 6. ACQUISITIONS

The following acquisitions are consistent with ALLETE's stated strategy of investing in energy infrastructure and related services businesses to complement its regulated businesses, balance exposure to business cycles and changing demand, and provide potential long-term earnings growth. The pro forma impact of the following acquisitions was not significant, either individually or in the aggregate, to the results of the Company for the years ended December 31, 2018, 2017 and 2016.

2017 Activity.

Tonka Water. In September 2017, U.S. Water Services acquired 100 percent of Tonka Water. Total consideration for the transaction was $19.2 million, including a working capital adjustment. Consideration of $19.0 million was paid in cash on the acquisition date and a working capital adjustment of $0.2 million was paid in the fourth quarter of 2017. Tonka Water is a supplier of municipal and industrial water treatment systems that expanded U.S. Water Services' geographic and customer markets.

The acquisition was accounted for as a business combination and the purchase price was allocated based on the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The purchase price accounting, which was finalized in 2018, is reflected in the following table. Fair value measurements were valued primarily using the discounted cash flow method and replacement cost basis.

Millions	
Assets Acquired	
Accounts Receivable	$5.1
Other Current Assets	5.1
Trade Names *(a)*	0.9
Goodwill *(a)(b)*	16.9
Other Non-Current Assets	0.2
Total Assets Acquired	$28.2
Liabilities Assumed	
Current Liabilities	$9.0
Total Liabilities Assumed	$9.0
Net Identifiable Assets Acquired	$19.2

(a) Presented within Goodwill and Intangible Assets – Net on the Consolidated Balance Sheet. (See Note 7. Goodwill and Intangible Assets.)

(b) Recognized goodwill is attributable to the assembled workforce and anticipated synergies. For tax purposes, the purchase price allocation resulted in $4.1 million of deductible goodwill.

Acquisition-related costs were immaterial, expensed as incurred during 2017 and recorded in Operating and Maintenance on the Consolidated Statement of Income.

2016 Activity.

Acquisition of Non-Controlling Interest. In 2016, ALLETE Clean Energy acquired the non-controlling interest in the limited liability company that owns its Condon wind energy facility for $8.0 million. This transaction was accounted for as an equity transaction, and no gain or loss was recognized in net income or other comprehensive income. As a result of the acquisition, the Condon wind energy facility is now a wholly-owned subsidiary of ALLETE Clean Energy.

NOTE 6. ACQUISITIONS (Continued)
2016 Activity (Continued)

WEST. In 2016, U.S. Water Services acquired 100 percent of Water & Energy Systems Technology of Nevada, Inc. (WEST). Total consideration for the transaction was $6.7 million. Consideration of $5.9 million was paid in cash on the acquisition date, working capital adjustments of $0.2 million were paid in 2017 and a $0.6 million payment was made in April 2018. WEST is an integrated water management company and was acquired to expand U.S. Water Services' regional footprint in the Southwestern United States.

The acquisition was accounted for as a business combination and the purchase price was allocated based on the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The purchase price accounting, which was finalized in 2017, is shown in the following table. Fair value measurements were valued primarily using the discounted cash flow method and replacement cost basis.

Millions	
Assets Acquired	
Cash and Cash Equivalents	$0.1
Other Current Assets	1.0
Customer Relationships *(a)*	2.8
Goodwill *(a)(b)*	4.2
Other Non-Current Assets	0.1
Total Assets Acquired	$8.2
Liabilities Assumed	
Current Liabilities	$0.3
Non-Current Liabilities	1.2
Total Liabilities Assumed	$1.5
Net Identifiable Assets Acquired	$6.7

(a) Presented within Goodwill and Intangible Assets – Net on the Consolidated Balance Sheet. (See Note 7. Goodwill and Intangible Assets.)
(b) For tax purposes, the purchase price allocation resulted in no allocation to goodwill.

Acquisition-related costs were immaterial, expensed as incurred during 2016 and recorded in Operating and Maintenance on the Consolidated Statement of Income.

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes changes to goodwill by reportable segment:

	U.S. Water Services
Millions	
Balance as of December 31, 2016	$131.2
Acquired Goodwill *(a)*	16.9
Other Adjustments *(b)*	0.2
Balance as of December 31, 2017	148.3
Other Adjustments *(b)*	0.2
Balance as of December 31, 2018	$148.5

(a) See Note 6. Acquisitions.
(b) Finalization of purchase price accounting for U.S. Water Services' acquisition of WEST was completed in 2017 and acquisition of Tonka Water was completed in 2018 resulting in adjustments in those periods to the goodwill recorded at the time of acquisition.

NOTE 7. GOODWILL AND INTANGIBLE ASSETS (Continued)

The following table summarizes changes to intangible assets, net, for the year ended December 31, 2018:

	December 31, 2017	Additions	Amortization	December 31, 2018
Millions				
Intangible Assets				
Definite-Lived Intangible Assets				
Customer Relationships	$54.7	$0.2	$(4.2)	$50.7
Developed Technology and Other *(a)*	6.3	2.6	(1.4)	7.5
Total Definite-Lived Intangible Assets	61.0	2.8	(5.6)	58.2
Indefinite-Lived Intangible Assets				
Trademarks and Trade Names	16.6	—	n/a	16.6
Total Intangible Assets	$77.6	$2.8	$(5.6)	$74.8

(a) Developed Technology and Other includes patents, non-compete agreements, land easements and trade names with finite lives.

Customer relationships have a remaining useful life of approximately 19 years, and developed technology and other have remaining useful lives ranging from approximately 4 years to approximately 10 years (weighted average of approximately 6 years). The weighted average remaining useful life of all definite-lived intangible assets as of December 31, 2018, is approximately 17 years.

Amortization expense of intangible assets for the year ended December 31, 2018, was $5.6 million ($5.5 million in 2017; $5.2 million in 2016). Accumulated amortization was $20.4 million and $14.8 million as of December 31, 2018, and December 31, 2017, respectively. Estimated amortization expense for definite-lived intangible assets is $5.3 million in 2019, $4.9 million in 2020, $4.9 million in 2021, $4.6 million in 2022, $4.3 million in 2023 and $34.2 million thereafter.

NOTE 8. INVESTMENTS

Investments. As of December 31, 2018, the investment portfolio included the legacy real estate assets of ALLETE Properties, debt and equity securities consisting primarily of securities held in other postretirement plans to fund employee benefits, the cash equivalents within these plans and other assets consisting primarily of land in Minnesota.

Other Investments As of December 31	2018	2017
Millions		
ALLETE Properties	$24.4	$26.4
Available-for-sale Securities *(a)*	20.2	19.1
Cash Equivalents	1.0	3.8
Other	3.5	3.8
Total Other Investments	$49.1	$53.1

(a) As of December 31, 2018, the aggregate amount of available-for-sale corporate and governmental debt securities maturing in one year or less was $2.0 million, in one year to less than three years was $2.9 million, in three years to less than five years was $2.6 million, and in five or more years was $0.5 million.

Available-for-Sale Securities. We account for our available-for-sale securities portfolio in accordance with the guidance for certain investments in debt and equity securities. Our available-for-sale securities portfolio consisted primarily of securities held in other postretirement plans to fund employee benefits. Gross realized and unrealized gains and losses on our available-for-sale securities were immaterial in 2018, 2017 and 2016.

NOTE 9. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs, which are used to measure fair value, are prioritized through the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reported date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes primarily equity securities.

Level 2 — Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reported date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, such as treasury securities with pricing interpolated from recent trades of similar securities, or priced with models using highly observable inputs, such as commodity options priced using observable forward prices and volatilities. This category includes deferred compensation and fixed income securities.

Level 3 — Significant inputs that are generally less observable from objective sources. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as the complex and subjective models and forecasts used to determine the fair value. This category includes the U.S. Water Services contingent consideration liability.

The following tables set forth by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2018, and December 31, 2017. Each asset and liability is classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of these assets and liabilities and their placement within the fair value hierarchy levels. The estimated fair value of Cash and Cash Equivalents listed on the Consolidated Balance Sheet approximates the carrying amount and therefore is excluded from the recurring fair value measures in the following tables.

	Fair Value as of December 31, 2018			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets:				
Investments *(a)*				
Available-for-sale – Equity Securities	$12.2	—	—	$12.2
Available-for-sale – Corporate and Governmental Debt Securities	—	$8.0	—	8.0
Cash Equivalents	1.0	—	—	1.0
Total Fair Value of Assets	$13.2	$8.0	—	$21.2
Liabilities:				
Deferred Compensation *(b)*	—	$19.8	—	$19.8
U.S. Water Services Contingent Consideration *(c)*	—	—	$3.8	3.8
Total Fair Value of Liabilities	—	$19.8	$3.8	$23.6
Total Net Fair Value of Assets (Liabilities)	$13.2	$(11.8)	$(3.8)	$(2.4)

(a) Included in Other Investments on the Consolidated Balance Sheet.
(b) Included in Other Non-Current Liabilities on the Consolidated Balance Sheet.
(c) Included in Other Current Liabilities on the Consolidated Balance Sheet.

NOTE 9. FAIR VALUE (Continued)

	Fair Value as of December 31, 2017			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets:				
Investments *(a)*				
Available-for-sale – Equity Securities	$10.2	—	—	$10.2
Available-for-sale – Corporate and Governmental Debt Securities	—	$8.9	—	8.9
Cash Equivalents	3.8	—	—	3.8
Total Fair Value of Assets	$14.0	$8.9	—	$22.9
Liabilities: *(b)*				
Deferred Compensation	—	$18.2	—	$18.2
U.S. Water Services Contingent Consideration	—	—	$5.4	5.4
Total Fair Value of Liabilities	—	$18.2	$5.4	$23.6
Total Net Fair Value of Assets (Liabilities)	$14.0	$(9.3)	$(5.4)	$(0.7)

(a) Included in Other Investments on the Consolidated Balance Sheet.
(b) Included in Other Non-Current Liabilities on the Consolidated Balance Sheet.

The following table provides a reconciliation of the beginning and ending balances of the U.S. Water Services Contingent Consideration measured at fair value using Level 3 measurements as of December 31, 2018, and December 31, 2017. The acquisition contingent consideration was recorded at the acquisition date at its estimated fair value. The acquisition date fair value was measured based on the consideration expected to be transferred, discounted to present value. The discount rate was determined at the time of measurement in accordance with generally accepted valuation methods. The fair value of the acquisition contingent consideration is remeasured to arrive at estimated fair value each reporting period with the change in fair value recognized as income or expense in the Consolidated Statement of Income. Changes to the fair value of the acquisition contingent consideration can result from changes in discount rates, timing of milestones that trigger payments, and the timing and amount of earnings estimates. Using different valuation assumptions, including earnings projections or discount rates, may result in different fair value measurements and expense (or income) in future periods. Management analyzes the fair value of the contingent liability on a quarterly basis and makes adjustments as appropriate. The acquisition contingent consideration was measured at $3.8 million as of December 31, 2018.

Recurring Fair Value Measures	
Activity in Level 3	
Millions	
Balance as of December 31, 2016	$25.0
Accretion *(a)*	0.8
Payments *(b)*	(19.7)
Changes in Cash Flow Projections	(0.7)
Balance as of December 31, 2017	$5.4
Accretion *(a)*	0.4
Changes in Cash Flow Projections	(2.0)
Balance as of December 31, 2018	$3.8

(a) Included in Interest Expense on the Consolidated Statement of Income.
(b) Payments reflect the impact of a modification to the shareholder agreement in the first quarter of 2017 which provided participants a one-time election to sell shares at a determined price. Participants representing approximately half of the outstanding contingent consideration shares made the election, and were paid in 2017.

The Company's policy is to recognize transfers in and transfers out of Levels as of the actual date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2018 and 2017, there were no transfers in or out of Levels 1, 2 or 3.

NOTE 9. FAIR VALUE (Continued)

Fair Value of Financial Instruments. With the exception of the item listed in the following table, the estimated fair value of all financial instruments approximates the carrying amount. The fair value for the item listed in the following table was based on quoted market prices for the same or similar instruments (Level 2).

Financial Instruments	Carrying Amount	Fair Value
Millions		
Long-Term Debt, Including Long-Term Debt Due Within One Year		
December 31, 2018	$1,495.2	$1,534.6
December 31, 2017	$1,513.3	$1,627.6

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis. Non-financial assets such as equity method investments, goodwill, intangible assets, and property, plant and equipment are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment is recognized.

Equity Method Investments. The aggregate carrying amount of our equity investments was $161.1 million as of December 31, 2018 ($118.7 million as of December 31, 2017). The Company assesses our equity investments in ATC and Nobles 2 for impairment whenever events or changes in circumstances indicate that the carrying amount of our investments may not be recoverable. For the years ended December 31, 2018 and 2017, there were no indicators of impairment. (See Note 5. Equity Investments.)

Goodwill. The Company assesses the impairment of goodwill annually in the fourth quarter and whenever an event occurs or circumstances change that would indicate that the carrying amount may be impaired. The Company's goodwill is a result of the U.S. Water Services acquisition in 2015 as well as U.S. Water Services' subsequent acquisitions. (See Note 6. Acquisitions.) The aggregate carrying amount of goodwill was $148.5 million as of December 31, 2018, and $148.3 million as of December 31, 2017.

Impairment testing for goodwill is done at the reporting unit level. An impairment loss is recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The inputs used in the fair value analysis fall within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value. The test for impairment requires us to make several estimates about fair value, most of which are based on projected future cash flows. The Company calculates the excess of the reporting unit's fair value over its carrying amount, including goodwill, utilizing a discounted cash flow analysis. Our annual impairment test for U.S. Water Services indicated that the estimated fair value of U.S. Water Services exceeded its carrying value, and no impairment existed for the year ended December 31, 2018 (none in 2017 and none in 2016). As part of the 2016 annual impairment analysis, the Company recognized a non-cash impairment charge of $3.3 million for ALLETE Clean Energy's goodwill primarily related to the acquisition of Storm Lake II in 2014. The charge, which is presented within Operating Expenses – Other in the Consolidated Statement of Income, eliminated all goodwill for the ALLETE Clean Energy reporting unit. (See Note 1. Operations and Significant Accounting Policies.)

Intangible Assets. The Company assesses indefinite-lived intangible assets for impairment annually in the fourth quarter. The Company also assesses indefinite-lived and definite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. Substantially all of the Company's intangible assets are a result of the U.S. Water Services acquisition in 2015 as well as U.S. Water Services' subsequent acquisitions. The aggregate carrying amount of intangible assets was $74.8 million as of December 31, 2018 ($77.6 million as of December 31, 2017). When events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable, the Company calculates the excess of an intangible asset's carrying amount over its undiscounted future cash flows. If the carrying amount is not recoverable, an impairment loss is recorded based on the amount by which the carrying amount exceeds the fair value. The inputs used in the fair value analysis fall within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value. As of December 31, 2018, there have been no events or changes in circumstance which would indicate impairment of our intangible assets.

Property, Plant and Equipment. The Company assesses the impairment of property, plant, and equipment whenever events or changes in circumstances indicate that the carrying amount of property, plant, and equipment assets may not be recoverable. The impairment of ALLETE Clean Energy's goodwill in 2016, primarily due to lower estimated energy prices in periods not under PSAs, caused management to review ALLETE Clean Energy's WTGs for impairment. Based on the results of the undiscounted cash flow analysis, the undiscounted future cash flows were adequate to recover the carrying value of the WTGs. (See Note 1. Operations and Significant Accounting Policies.) For the years ended December 31, 2018, and 2017, there was no impairment of property, plant, and equipment.

NOTE 9. FAIR VALUE (Continued)

We believe that long-standing ratemaking practices approved by applicable state and federal regulatory commissions allow for the recovery of the remaining book value of retired plant assets. In a 2016 order, the MPUC accepted Minnesota Power's plans for Taconite Harbor, directed Minnesota Power to retire Boswell Units 1 and 2 no later than 2022, required an analysis of generation and demand response alternatives to be filed with a natural gas resource proposal, and required Minnesota Power to conduct request for proposals for additional wind, solar and demand response resource additions subject to further MPUC approvals. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. As part of the 2016 general retail rate case, the MPUC allowed recovery of the remaining book value of Boswell Units 1 and 2 through 2022. We do not expect to record any impairment charge as a result of the retirement of Taconite Harbor Unit 3, ceasing of coal-fired operations at Taconite Harbor Units 1 and 2 or the conversion of Laskin to operate on natural gas. In addition, we expect to be able to continue depreciating these assets for at least their established remaining useful lives; however, we are unable to predict the impact of regulatory outcomes resulting in changes to their established remaining useful lives. (See Note 4. Regulatory Matters.)

NOTE 10. SHORT-TERM AND LONG-TERM DEBT

Short-Term Debt. As of December 31, 2018, total short-term debt outstanding was $57.5 million ($64.1 million as of December 31, 2017), consisted of long-term debt due within one year and included $0.4 million of unamortized debt issuance costs.

As of December 31, 2018, we had consolidated bank lines of credit aggregating $407.0 million ($407.0 million as of December 31, 2017), most of which expire in January 2024. We had $18.4 million outstanding in standby letters of credit and no outstanding draws under our lines of credit as of December 31, 2018 ($11.9 million in standby letters of credit and no outstanding draws as of December 31, 2017).

On January 10, 2019, ALLETE entered into an amended and restated $400 million credit agreement (Credit Agreement). The Credit Agreement amended and restated ALLETE's $400 million credit facility, which was scheduled to expire in October 2020. The Credit Agreement is unsecured, has a variable interest rate and will expire in January 2024. At ALLETE's request and subject to certain conditions, the Credit Agreement may be increased by up to$150 million and ALLETE may make two requests to extend the maturity date, each for a one-year extension. Advances may be used by ALLETE for general corporate purposes, to provide liquidity in support of ALLETE's commercial paper program and to issue up to $60 million in letters of credit.

Long-Term Debt. As of December 31, 2018, total long-term debt outstanding was $1,428.5 million ($1,439.2 million as of December 31, 2017) and included $8.8 million of unamortized debt issuance costs. The aggregate amount of long-term debt maturing in 2019 is $57.9 million; $113.7 million in 2020; $98.5 million in 2021; $89.3 million in 2022; $88.5 million in 2023; and $1,047.3 million thereafter. Substantially all of our regulated electric plant is subject to the lien of the mortgages collateralizing outstanding first mortgage bonds. The mortgages contain non-financial covenants customary in utility mortgages, including restrictions on our ability to incur liens, dispose of assets, and merge with other entities.

Minnesota Power is obligated to make financing payments for the Camp Ripley solar array totaling $1.4 million annually during the financing term, which expires in 2027. Minnesota Power has the option at the end of the financing term to renew for a two-year term, or to purchase the solar array for approximately $4 million. Minnesota Power anticipates exercising the purchase option when the term expires.

On April 16, 2018, ALLETE issued and sold $60.0 million of its First Mortgage Bonds (the Bonds) that bear interest at 4.07 percent. The Bonds will mature in April 2048 and pay interest semi-annually in April and October of each year, commencing on October 16, 2018. ALLETE has the option to prepay all or a portion of the Bonds at its discretion, subject to a make-whole provision. The Bonds are subject to additional terms and conditions which are customary for these types of transactions. ALLETE intends to use the proceeds from the sale of the Bonds to fund utility capital investment and for general corporate purposes. The Bonds were sold in reliance on an exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended, to institutional accredited investors.

NOTE 10. SHORT-TERM AND LONG-TERM DEBT (Continued)
Long-Term Debt (Continued)

On October 3, 2018, and October 17, 2018, ALLETE repaid $20.0 million and $10.0 million, respectively, under an unsecured term loan due in 2020.

Long-Term Debt

As of December 31	2018	2017
Millions		
First Mortgage Bonds		
1.83% Series Due 2018	—	$50.0
8.17% Series Due 2019	$42.0	42.0
5.28% Series Due 2020	35.0	35.0
2.80% Series Due 2020	40.0	40.0
4.85% Series Due 2021	15.0	15.0
3.02% Series Due 2021	60.0	60.0
3.40% Series Due 2022	75.0	75.0
6.02% Series Due 2023	75.0	75.0
3.69% Series Due 2024	60.0	60.0
4.90% Series Due 2025	30.0	30.0
5.10% Series Due 2025	30.0	30.0
3.20% Series Due 2026	75.0	75.0
5.99% Series Due 2027	60.0	60.0
3.30% Series Due 2028	40.0	40.0
3.74% Series Due 2029	50.0	50.0
3.86% Series Due 2030	60.0	60.0
5.69% Series Due 2036	50.0	50.0
6.00% Series Due 2040	35.0	35.0
5.82% Series Due 2040	45.0	45.0
4.08% Series Due 2042	85.0	85.0
4.21% Series Due 2043	60.0	60.0
4.95% Series Due 2044	40.0	40.0
5.05% Series Due 2044	40.0	40.0
4.39% Series Due 2044	50.0	50.0
4.07% Series Due 2048	60.0	—
Variable Demand Revenue Refunding Bonds Series 1997 A Due 2020	13.5	13.5
Unsecured Term Loan Variable Rate Due 2020	10.0	40.0
Armenia Mountain Senior Secured Notes 3.26% Due 2024	57.2	65.9
Industrial Development Variable Rate Demand Refunding Revenue Bonds Series 2006, Due 2025	27.8	27.8
Senior Unsecured Notes 3.11% Due 2027	80.0	80.0
SWL&P First Mortgage Bonds 4.15% Series Due 2028	15.0	15.0
SWL&P First Mortgage Bonds 4.14% Series Due 2048	12.0	—
Other Long-Term Debt, 3.11% – 5.75% Due 2019 – 2037	67.7	69.1
Unamortized Debt Issuance Costs	(9.2)	(10.0)
Total Long-Term Debt	1,486.0	1,503.3
Less: Due Within One Year	57.5	64.1
Net Long-Term Debt	$1,428.5	$1,439.2

NOTE 10. SHORT-TERM AND LONG-TERM DEBT (Continued)

Financial Covenants. Our long-term debt arrangements contain customary covenants. In addition, our lines of credit and letters of credit supporting certain long-term debt arrangements contain financial covenants. Our compliance with financial covenants is not dependent on debt ratings. The most restrictive financial covenant requires ALLETE to maintain a ratio of indebtedness to total capitalization (as the amounts are calculated in accordance with the respective long-term debt arrangements) of less than or equal to 0.65 to 1.00, measured quarterly. As of December 31, 2018, our ratio was approximately 0.41 to 1.00. Failure to meet this covenant would give rise to an event of default if not cured after notice from the lender, in which event ALLETE may need to pursue alternative sources of funding. Some of ALLETE's debt arrangements contain "cross-default" provisions that would result in an event of default if there is a failure under other financing arrangements to meet payment terms or to observe other covenants that would result in an acceleration of payments due. ALLETE has no significant restrictions on its ability to pay dividends from retained earnings or net income. As of December 31, 2018, ALLETE was in compliance with its financial covenants.

NOTE 11. COMMITMENTS, GUARANTEES AND CONTINGENCIES

The following table details the estimated minimum payments for certain long-term commitments:

As of December 31, 2018

Millions	2019	2020	2021	2022	2023	Thereafter
Coal, Rail and Shipping Contracts	$20.8	$9.0	$7.5	—	—	—
Operating Leases	$9.9	$7.9	$6.1	$4.9	$3.1	$9.4
Easements	$4.8	$4.9	$4.9	$5.0	$5.1	$136.3
Other *(a)*	$31.6	$0.3	$0.3	—	—	$0.1
PPAs *(b)*	$107.3	$115.3	$145.4	$145.7	$145.8	$1,550.7

(a) Consists of long-term service agreements for wind energy facilities.

(b) Does not include the agreement with Manitoba Hydro expiring in 2022, as this contract is for surplus energy only; Oliver Wind I and Oliver Wind II, as Minnesota Power only pays for energy as it is delivered; and the agreement with Nobles 2 commencing in 2020 as it is subject to construction of a wind energy facility. (See Power Purchase Agreements.)

Power Purchase and Sales Agreements. Our long-term PPAs have been evaluated under the accounting guidance for variable interest entities. We have determined that either we have no variable interest in the PPAs, or where we do have variable interests, we are not the primary beneficiary; therefore, consolidation is not required. These conclusions are based on the fact that we do not have both control over activities that are most significant to the entity and an obligation to absorb losses or receive benefits from the entity's performance. Our financial exposure relating to these PPAs is limited to capacity and energy payments.

These agreements have also been evaluated under the accounting guidance for derivatives. We have determined that either these agreements are not derivatives, or if they are derivatives, the agreements qualify for the normal purchases and normal sales exemption to the accounting guidance; therefore, derivative accounting is not required.

Square Butte PPA. Minnesota Power has a PPA with Square Butte that extends through 2026 (Agreement). Minnesota Power is obligated to pay its pro rata share of Square Butte's costs based on its entitlement to the output of Square Butte's 455 MW coal-fired generating unit. Minnesota Power's output entitlement under the Agreement is 50 percent for the remainder of the Agreement, subject to the provisions of the Minnkota Power PSA described in the following table. Minnesota Power's payment obligation will be suspended if Square Butte fails to deliver any power, whether produced or purchased, for a period of one year. Square Butte's costs consist primarily of debt service, operating and maintenance, depreciation and fuel expenses. As of December 31, 2018, Square Butte had total debt outstanding of $304.0 million. Annual debt service for Square Butte is expected to be approximately $48.7 million in each of the next five years, 2019 through 2023, of which Minnesota Power's obligation is 50 percent. Fuel expenses are recoverable through Minnesota Power's fuel adjustment clause and include the cost of coal purchased from BNI Energy under a long-term contract.

Minnesota Power's cost of power purchased from Square Butte during 2018 was $78.0 million ($75.7 million in 2017; $73.3 million in 2016). This reflects Minnesota Power's pro rata share of total Square Butte costs based on the 50 percent output entitlement. Included in this amount was Minnesota Power's pro rata share of interest expense of $9.1 million in 2018 ($9.4 million in 2017; $9.6 million in 2016). Minnesota Power's payments to Square Butte are approved as a purchased power expense for ratemaking purposes by both the MPUC and the FERC.

NOTE 11. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Power Purchase and Sales Agreements (Continued)

Minnesota Power has also entered into the following PPAs for the purchase or sale of capacity and energy as of December 31, 2018:

Counterparty	Quantity	Product	Commencement	Expiration	Pricing
PPAs					
Calpine Corporation	25 MW	Capacity	June 2019	May 2026	Fixed
Cypress Creek Renewables *(a)*	*(a)*	Capacity / Energy	*(a)*	*(a)*	Fixed
Great River Energy					
PPA 1	50 MW	Capacity / Energy	June 2016	May 2020	*(b)*
PPA 2	50 MW	Capacity	June 2016	May 2020	Fixed
PPA 3	50 MW	Capacity	June 2017	May 2020	Fixed
Manitoba Hydro					
PPA 1	*(c)*	Energy	May 2011	April 2022	Forward Market Prices
PPA 2	50 MW	Capacity / Energy	June 2015	May 2020	*(d)*
PPA 3	50 MW	Capacity	June 2017	May 2020	Fixed
PPA 4 *(e)*	250 MW	Capacity / Energy	June 2020	May 2035	*(f)*
PPA 5 *(e)*	133 MW	Energy	*(g)*	*(g)*	Forward Market Prices
Minnkota Power	50 MW	Capacity / Energy	June 2016	May 2020	*(h)*
Nobles 2 *(i)*	*(i)*	Capacity / Energy	*(i)*	*(i)*	Fixed
Oliver Wind I	*(j)*	Energy	December 2006	December 2040	Fixed
Oliver Wind II	*(j)*	Energy	December 2007	December 2040	Fixed
Shell Energy	50 MW	Energy	January 2017	December 2019	Fixed
TransAlta	*(k)*	Energy	January 2017	December 2019	Fixed

(a) The PPA provides for the purchase of all output from the 10 MW Blanchard solar energy facility to be located in central Minnesota. Construction of the Blanchard solar energy facility is expected to be completed in 2020 and the contract is effective for 25 years beginning upon commercial operation.

(b) The capacity price is fixed and the energy price is based on a formula that includes an annual fixed price component adjusted for changes in a natural gas index, as well as market prices.

(c) The energy purchased consists primarily of surplus hydro energy on Manitoba Hydro's system and is delivered on a non-firm basis. Minnesota Power will purchase at least one million MWh of energy over the contract term.

(d) The capacity and energy prices are adjusted annually by the change in a governmental inflationary index.

(e) Agreements are subject to the construction of the GNTL and MMTP. (See Great Northern Transmission Line.)

(f) The capacity price is adjusted annually until 2020 by the change in a governmental inflationary index. The energy price is based on a formula that includes an annual fixed component adjusted for the change in a governmental inflationary index and a natural gas index, as well as market prices.

(g) The contract term will be the 20-year period beginning on the in-service date for the GNTL. (See Great Northern Transmission Line.)

(h) The agreement includes a fixed capacity charge and energy prices that escalate at a fixed rate annually over the term.

(i) The PPA provides for the purchase of all output from a 250 MW wind energy facility to be constructed in southwest Minnesota for 20 years beginning upon commercial operation of the wind energy facility which is currently expected in fourth quarter of 2020. (See Note 4. Regulatory Matters and Note 5. Equity Investments.)

(j) The PPAs provide for the purchase of all output from the 50 MW Oliver Wind I and 48 MW Oliver Wind II wind energy facilities.

(k) Minnesota Power is purchasing 50 MW of energy during off-peak hours and 100 MW of energy during on-peak hours.

NOTE 11. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Power Purchase and Sales Agreements (Continued)

Minnesota Power has also entered into the following PSAs for the purchase or sale of capacity and energy as of December 31, 2018:

Counterparty	Quantity	Product	Commencement	Expiration	Pricing
PSAs					
Basin					
PSA 1	100 MW	Capacity / Energy	May 2010	April 2020	*(a)*
PSA 2	50 MW	Capacity	June 2017	May 2019	Fixed
PSA 3	*(b)*	Capacity	June 2022	May 2025	Fixed
PSA 4	100 MW	Capacity	June 2025	May 2028	Fixed
Minnkota Power	*(c)*	Capacity / Energy	June 2014	December 2026	*(c)*
Oconto Electric Cooperative	25 MW	Capacity / Energy	January 2019	May 2026	Fixed
Silver Bay Power	*(d)*	Energy	January 2017	December 2031	*(e)*

(a) The capacity charge is based on a fixed monthly schedule with a minimum annual escalation provision. The energy charge is based on a fixed monthly schedule and provides for annual escalation based on the cost of fuel. The agreement also allows Minnesota Power to recover a pro rata share of increased costs related to emissions that occur during the last five years of the contract.

(b) The agreement provides for 75 MW of capacity from June 1, 2022, through May 31, 2023, and increases to 125 MW of capacity from June 1, 2023, through May 31, 2025.

(c) Minnesota Power is selling a portion of its entitlement from Square Butte to Minnkota Power, resulting in Minnkota Power's net entitlement increasing and Minnesota Power's net entitlement decreasing until Minnesota Power's share is eliminated at the end of 2025. Of Minnesota Power's 50 percent output entitlement, it sold to Minnkota Power approximately 28 percent in 2018 (28 percent in 2017 and in 2016). (See Square Butte PPA.)

(d) Silver Bay Power supplies approximately 90 MW of load to Northshore Mining, an affiliate of Silver Bay Power, which has been served predominately through self-generation by Silver Bay Power. Through 2019, Minnesota Power will supply Silver Bay Power with at least 50 MW of energy and Silver Bay Power has the option to purchase additional energy. By December 31, 2019, Silver Bay Power is expected to cease self-generation and Minnesota Power is expected to supply the energy requirements for Silver Bay Power.

(e) The energy pricing is fixed through 2019 with pricing in later years escalating at a fixed rate annually and adjusted for changes in a natural gas index.

Coal, Rail and Shipping Contracts. Minnesota Power has coal supply agreements providing for the purchase of a significant portion of its coal requirements through December 2019 and a portion of its coal requirements through December 2021. Minnesota Power also has coal transportation agreements in place for the delivery of a significant portion of its coal requirements through December 2021. The costs of fuel and related transportation costs for Minnesota Power's generation are recoverable from Minnesota Power's utility customers through the fuel adjustment clause.

Leasing Agreements. BNI Energy is obligated to make lease payments for a dragline totaling $2.8 million annually during the lease term, which expires in 2027. BNI Energy has the option at the end of the lease term to renew the lease at fair market value, to purchase the dragline at fair market value, or to surrender the dragline and pay a $3.0 million termination fee. We also lease other properties and equipment under operating lease agreements with a majority of terms expiring through 2024. Total lease expense was $14.6 million in 2018 ($17.5 million in 2017; $17.1 million in 2016).

Transmission. We continue to make investments in transmission opportunities that strengthen or enhance the transmission grid or take advantage of our geographical location between sources of renewable energy and end users. These include the GNTL, investments to enhance our own transmission facilities, investments in other transmission assets (individually or in combination with others) and our investment in ATC.

Great Northern Transmission Line. As a condition of a 250 MW long-term PPA entered into with Manitoba Hydro, construction of additional transmission capacity is required. As a result, Minnesota Power is constructing the GNTL, an approximately 220-mile 500-kV transmission line between Manitoba and Minnesota's Iron Range that was proposed by Minnesota Power and Manitoba Hydro in order to strengthen the electric grid, enhance regional reliability and promote a greater exchange of sustainable energy.

NOTE 11. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Transmission (Continued)

In a 2016 order, the MPUC approved the route permit for the GNTL, and in 2016, the U.S. Department of Energy issued a presidential permit to cross the U.S.-Canadian border, which was the final major regulatory approval needed before construction in the U.S. could begin. Site clearing and pre-construction activities commenced in the first quarter of 2017 with construction expected to be completed in 2020. To date, most of the right-of-way has been cleared while foundation installation and transmission tower construction have commenced. The total project cost in the U.S., including substation work, is estimated to be between $560 million and $710 million, of which Minnesota Power's portion is expected to be between $300 million and $350 million; the difference will be recovered from a subsidiary of Manitoba Hydro as non-shareholder contributions to capital. Total project costs of $380.8 million have been incurred through December 31, 2018, of which $203.7 million has been recovered from a subsidiary of Manitoba Hydro.

Manitoba Hydro must obtain regulatory and governmental approvals related to the MMTP, a new transmission line in Canada that will connect with the GNTL. In 2015, Manitoba Hydro submitted the final preferred route and EIS for the MMTP to the Manitoba Conservation and Water Stewardship for siting and environmental approval, which remains pending. In 2016, Manitoba Hydro filed an application with the Canadian National Energy Board (NEB) requesting authorization to construct and operate the MMTP, which was recommended for approval on November 15, 2018. Approval of the Canadian federal cabinet is also required.

The MMTP is subject to legal and regulatory challenges which Minnesota Power is actively monitoring. Manitoba Hydro has informed Minnesota Power that it continues to work towards completing the MMTP on schedule. In order to meet the transmission in-service requirements in PPAs with Minnesota Power, Manitoba Hydro has indicated that it would need to start construction of the MMTP by June 2019. We are unable to predict the outcome of the Canadian regulatory review process, including the timing thereof or whether any onerous conditions may be imposed, or the timing of the completion of the MMTP, including the impact of any delays that may result in construction schedule adjustments. Any significant delays in the MMTP construction schedule may result in Minnesota Power adjusting the GNTL construction schedule and impact the timing of capital expenditures and associated cost recovery under our transmission cost recovery rider.

Construction of Manitoba Hydro's Keeyask hydroelectric generation facility, which will provide the power to be sold under PPAs with Minnesota Power and transmitted on the MMTP and the GNTL, commenced in 2014 and is anticipated to be in service by early 2021.

Environmental Matters.

Our businesses are subject to regulation of environmental matters by various federal, state and local authorities. A number of regulatory changes to the Clean Air Act, the Clean Water Act and various waste management requirements have been promulgated by both the EPA and state authorities over the past several years. Minnesota Power's facilities are subject to additional requirements under many of these regulations. Minnesota Power is reshaping its generation portfolio, over time, to reduce its reliance on coal, has installed cost-effective emission control technology, and advocates for sound science and policy during rulemaking implementation.

We consider our businesses to be in substantial compliance with currently applicable environmental regulations and believe all necessary permits have been obtained. We anticipate that with many state and federal environmental regulations and requirements finalized, or to be finalized in the near future, potential expenditures for future environmental matters may be material and require significant capital investments. Minnesota Power has evaluated various environmental compliance scenarios using possible outcomes of environmental regulations to project power supply trends and impacts on customers.

We review environmental matters on a quarterly basis. Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on current law and existing technologies. Accruals are adjusted as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the Consolidated Balance Sheet at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Costs related to environmental contamination treatment and cleanup are expensed unless recoverable in rates from customers.

Air. The electric utility industry is regulated both at the federal and state level to address air emissions. Minnesota Power's generating facilities mainly burn low-sulfur western sub-bituminous coal. All of Minnesota Power's coal-fired generating facilities are equipped with pollution control equipment such as scrubbers, baghouses and low NO_X technologies. Under currently applicable environmental regulations, these facilities are substantially compliant with emission requirements.

NOTE 11. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Environmental Matters (Continued)

New Source Review (NSR). In 2014, Minnesota Power reached a settlement with the EPA and entered into a Consent Decree regarding certain Notices of Violation received in 2008 and 2011 that asserted violations of the NSR requirements of the Clean Air Act, which was approved by the U.S. District Court for the District of Minnesota. The Consent Decree provided for, among other requirements, more stringent emissions limits at all affected units, the option of refueling, retrofitting or retiring certain small coal units, and the addition of 200 MW of wind energy. Provisions of the Consent Decree require that, by no later than December 31, 2018, Boswell Units 1 and 2 must be retired, refueled, repowered, or emissions rerouted through existing emission control technology at Boswell. Minnesota Power retired Boswell Units 1 and 2 in the fourth quarter of 2018. Minnesota Power is allowed to recover the remaining net book value for Boswell Units 1 and 2 through 2022. We believe that costs to retire Boswell Units 1 and 2 will be eligible for recovery in rates over time, subject to regulatory approval in a rate proceeding.

Mercury and Air Toxics Standards (MATS) Rule. Under Section 112 of the Clean Air Act, the EPA is required to set emission standards for hazardous air pollutants (HAPs) for certain source categories. The final MATS rule addressed such emissions from coal-fired utility units greater than 25 MW and established categories of HAPs, including mercury, trace metals other than mercury, and acid gases. The EPA established emission limits for these categories of HAPs and work practice standards for the remaining categories. Construction on the project to implement the Boswell Unit 4 mercury emissions reduction plan to position the unit for MATS compliance was completed in 2015. Investments and compliance work previously completed at Boswell Unit 3, including emission reduction investments completed in 2009, meet the requirements of the MATS rule. The conversion of Laskin Units 1 and 2 to operate on natural gas in 2015 positioned those units for MATS compliance. On December 27, 2018, the EPA issued a proposed revised Supplemental Cost Finding for MATS that determined it is not appropriate and necessary to regulate HAP emissions from power plants under section 112 of the Clean Air Act.

Minnesota Mercury Emissions Reduction Act/Rule. Minnesota Power was required to implement a mercury emissions reduction project for Boswell Unit 4 by December 31, 2018. The Boswell Unit 4 environmental upgrade discussed above (see *Mercury and Air Toxics Standards (MATS) Rule*) fulfills the requirements of the Minnesota Mercury Emissions Reduction Act.

Cross-State Air Pollution Rule (CSAPR). The CSAPR requires certain states in the eastern half of the U.S., including Minnesota, to reduce power plant emissions that contribute to ozone or fine particulate pollution in other states. The CSAPR does not require installation of controls but does require facilities have sufficient allowances to cover their emissions on an annual basis. These allowances are allocated to facilities from each state's annual budget, and can be bought and sold. Based on our review of the NO_x and SO_2 allowances issued and pending issuance, we currently expect generation levels and emission rates will result in continued compliance with the CSAPR.

National Ambient Air Quality Standards (NAAQS). The EPA is required to review the NAAQS every five years. If the EPA determines that a state's air quality is not in compliance with the NAAQS, the state is required to adopt plans describing how it will reduce emissions to attain the NAAQS. None of the compliance costs for proposed or current NAAQS revisions are expected to be material.

Climate Change. The scientific community generally accepts that emissions of GHG are linked to global climate change which creates physical and financial risks. Physical risks could include, but are not limited to: increased or decreased precipitation and water levels in lakes and rivers; increased temperatures; and changes in the intensity and frequency of extreme weather events. These all have the potential to affect the Company's business and operations. We are addressing climate change by taking the following steps that also ensure reliable and environmentally compliant generation resources to meet our customers' requirements:

- Expanding renewable power supply for both our operations and the operations of others;
- Providing energy conservation initiatives for our customers and engaging in other demand side management efforts;
- Improving efficiency of our generating facilities;
- Supporting research of technologies to reduce carbon emissions from generating facilities and carbon sequestration efforts;
- Evaluating and developing less carbon intensive future generating assets such as efficient and flexible natural gas-fired generating facilities;
- Managing vegetation on right-of-way corridors to reduce potential wildfire or storm damage risks; and
- Practicing sound forestry management in our service territories to create landscapes more resilient to disruption from climate-related changes, including planting and managing long-lived conifer species.

EPA Regulation of GHG Emissions. In 2014, the EPA announced a proposed rule under Section 111(d) of the Clean Air Act for existing power plants entitled "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Generating Units", also referred to as the Clean Power Plan (CPP). The EPA issued the final CPP in 2015, together with a proposed federal implementation plan and a model rule for emissions trading. In 2016, the U.S. Supreme Court issued an order staying the effectiveness of the rule until after the appellate court process is complete. In 2016, the U.S. Court of Appeals for the District of Columbia Circuit heard oral arguments and is currently deliberating. If the CPP is upheld at the completion of the appellate process, all of the CPP regulatory deadlines are expected to be reset based on the length of time that the appeals process takes. The EPA is precluded from enforcing the CPP while the U.S. Supreme Court stay is in force.

If upheld, the CPP would establish uniform CO_2 emission performance rates for existing fossil fuel-fired and natural gas-fired combined cycle generating units, setting state-specific goals for CO_2 emissions from the power sector. State goals were determined based on CPP source-specific performance emission rates and each state's mix of power plants. The EPA filed a motion with the U.S. Court of Appeals for the District of Columbia Circuit to hold CPP-related litigation in suspension while the EPA is reviewing the rule. In October 2017, the EPA issued a notice of proposed rulemaking, proposing to repeal the CPP. In December 2017, an Advanced Notice of Proposed Rulemaking for a CPP replacement rule was published in the Federal Register.

On August 31, 2018, the EPA published the proposed Affordable Clean Energy Rule in the Federal Register, which is intended to replace the CPP with revised emission guidelines that inform the development, submittal, and implementation of State Implementation Plans (SIP) to reduce GHG emissions for existing steam generating units. If a state does not submit a SIP or submits a plan that is unacceptable to the EPA, the EPA would develop a Federal Implementation Plan (FIP). Minnesota Power generating facilities affected by this proposal include Boswell, Laskin, Taconite Harbor and Hibbard.

The proposed Affordable Clean Energy Rule seeks to reduce carbon intensity at existing steam generation units by prescribing Best System of Emission Reduction (BSER), primarily through Heat Rate Improvement (HRI) technologies. Under the proposal, states will have up to three years to develop a SIP, which is subject to EPA approval. While many of the HRIs proposed by the EPA in the proposed rule have already been installed in Minnesota Power's largest coal-fired generating units, compliance specifics would be detailed in either Minnesota's SIP or a FIP.

Minnesota has already initiated several measures consistent with those called for under the CPP and proposed Affordable Clean Energy Rule. Minnesota Power is implementing its *EnergyForward* strategic plan that provides for significant emission reductions and diversifying its electricity generation mix to include more renewable and natural gas energy. (See Note 6. Regulatory Matters.) We are unable to predict the GHG emission compliance costs we might incur; however, the costs could be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Water. The Clean Water Act requires NPDES permits be obtained from the EPA (or, when delegated, from individual state pollution control agencies) for any wastewater discharged into navigable waters. We have obtained all necessary NPDES permits, including NPDES storm water permits for applicable facilities, to conduct our operations.

Steam Electric Power Generating Effluent Limitations Guidelines. In 2015, the EPA issued revised federal effluent limitation guidelines (ELG) for steam electric power generating stations under the Clean Water Act. It set effluent limits and prescribed BACT for several wastewater streams, including flue gas desulphurization (FGD) water, bottom ash transport water and coal combustion landfill leachate. In September 2017, the EPA announced a two-year postponement of the ELG compliance date of November 1, 2018, to November 1, 2020, while the agency reconsiders the bottom ash transport water and FGD wastewater provisions.

The final ELG rule's potential impact on Minnesota Power operations is primarily at Boswell. Boswell currently discharges bottom ash contact water through its NPDES permit, and also has a closed-loop FGD system that does not discharge to surface waters, but may do so in the future. Under the existing ELG rule, bottom ash transport water discharge to surface waters must cease no later than December 31, 2023. Bottom ash contact water will either need to be re-used in a closed-loop process, routed to a FGD scrubber, or the bottom ash handling system will need to be converted to a dry process. If FGD wastewater is discharged in the future, it will require additional wastewater treatment. The ELG rule provision regarding these two waste-streams are being reconsidered and may change prior to November 1, 2020. Efforts have been underway at Boswell to reduce the amount of water discharged and evaluate potential re-use options in its plant processes.

At this time, we cannot estimate what compliance costs we might incur related to these or other potential future water discharge regulations; however, the costs could be material, including costs associated with retrofits for bottom ash handling, pond dewatering, pond closure, and wastewater treatment and re-use. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Solid and Hazardous Waste. The Resource Conservation and Recovery Act of 1976 regulates the management and disposal of solid and hazardous wastes. We are required to notify the EPA of hazardous waste activity and, consequently, routinely submit reports to the EPA.

Coal Ash Management Facilities. Minnesota Power stores or disposes coal ash at four of its electric generating facilities by the following methods: storing ash in lined onsite impoundments (ash ponds), disposing of dry ash in a lined dry ash landfill, applying ash to land as an approved beneficial use and trucking ash to state permitted landfills.

Coal Combustion Residuals from Electric Utilities (CCR). In 2015, the EPA published the final rule regulating CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act (RCRA) in the Federal Register. The rule includes additional requirements for new landfill and impoundment construction as well as closure activities related to certain existing impoundments. Costs of compliance for Boswell and Laskin are expected to occur primarily over the next 15 years and be between approximately $65 million and $120 million. The EPA has indicated to Minnesota Power that the landfill at Taconite Harbor, which has been idled and has a temporary landfill cover in place, is a CCR unit based on the EPA's interpretation of the CCR rule language. Minnesota Power has agreed to post the required CCR information for the Taconite Harbor landfill on Minnesota Power's website while the CCR issue is resolved. Compliance costs for CCR at Taconite Harbor are not expected to be material. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Minnesota Power continues to work on minimizing costs through evaluation of beneficial re-use and recycling of CCR and CCR-related waters. In September 2017, the EPA announced its intention to formally reconsider the CCR rule under Subtitle D of the RCRA and on March 15, 2018, published the first phase of the proposed rule revisions in the Federal Register. On July 17, 2018, the EPA finalized revisions to elements of the CCR rule, including extending certain deadlines by two years, the establishment of alternative groundwater protection standards for certain constituents and the potential for risk-based management options at facilities based on site characteristics. On August 22, 2018, a U.S. District Court for the District of Columbia decision vacated specific provisions of the CCR rule. The court decision changes the status of three existing impoundments at Boswell that must now be considered unlined. Compliance costs at Boswell due to the court decision are unknown at this time. Minnesota Power would seek recovery of additional costs through a rate proceeding.

Other Environmental Matters

Manufactured Gas Plant Site. We are reviewing and addressing environmental conditions at a former manufactured gas plant site located in Superior, Wisconsin, and formerly operated by SWL&P. SWL&P has been working with the Wisconsin Department of Natural Resources (WDNR) in determining the extent and location of contamination at the site and surrounding properties. In December 2017, the WDNR authorized SWL&P to transition from site investigation into the remedial design process. As of December 31, 2018, we have recorded a liability of approximately $7 million for remediation costs at this site (approximately $8 million as of December 31, 2017), and an associated regulatory asset as we expect recovery of these remediation costs to be allowed by the PSCW. We expect to incur these costs over the next four years.

Other Matters

ALLETE Clean Energy. ALLETE Clean Energy's wind energy facilities have PSAs in place for their entire output and expire in various years between 2019 and 2032. As of December 31, 2018, ALLETE Clean Energy has $21.0 million outstanding in standby letters of credit.

U.S. Water Services. As of December 31, 2018, U.S. Water Services has no outstanding standby letters of credit.

BNI Energy. As of December 31, 2018, BNI Energy had surety bonds outstanding of $49.9 million and a letter of credit for an additional $0.6 million related to the reclamation liability for closing costs associated with its mine and mine facilities. Although its coal supply agreements obligate the customers to provide for the closing costs, additional assurance is required by federal and state regulations. BNI Energy's total reclamation liability is currently estimated at $47.5 million. BNI Energy does not believe it is likely that any of these outstanding surety bonds or the letter of credit will be drawn upon.

NOTE 11. COMMITMENTS, GUARANTEES AND CONTINGENCIES (Continued)
Other Matters (Continued)

ALLETE Properties. As of December 31, 2018, ALLETE Properties had surety bonds outstanding and letters of credit to governmental entities totaling $8.6 million primarily related to development and maintenance obligations for various projects. The estimated cost of the remaining development work is $6.1 million. ALLETE Properties does not believe it is likely that any of these outstanding surety bonds or letters of credit will be drawn upon.

Community Development District Obligations. In 2005, the Town Center District issued $26.4 million of tax-exempt, 6.0 percent capital improvement revenue bonds, and in 2006, the Palm Coast Park District issued $31.8 million of tax-exempt, 5.7 percent special assessment bonds. The capital improvement revenue bonds and the special assessment bonds are payable over 31 years (by May 1, 2036 and 2037, respectively) and are secured by special assessments on the benefited land. The bond proceeds were used to pay for the construction of a portion of the major infrastructure improvements in each district and to mitigate traffic and environmental impacts. The assessments were billed to the landowners beginning in 2006 for the Town Center District and 2007 for the Palm Coast Park District. To the extent that ALLETE Properties still owns land at the time of the assessment, it will incur the cost of its portion of these assessments, based upon its ownership of benefited property.

As of December 31, 2018, we owned 68 percent of the assessable land in the Town Center District (70 percent as of December 31, 2017) and 19 percent of the assessable land in the Palm Coast Park District (33 percent as of December 31, 2017). As of December 31, 2018, ownership levels, our annual assessments related to capital improvement and special assessment bonds for the ALLETE Properties projects within these districts are $1.4 million for Town Center at Palm Coast and $0.6 million for Palm Coast Park. As we sell property at these projects, the obligation to pay special assessments will pass to the new landowners. In accordance with accounting guidance, these bonds are not reflected as debt on our Consolidated Balance Sheet.

Legal Proceedings.

We are involved in litigation arising in the normal course of business. Also in the normal course of business, we are involved in tax, regulatory and other governmental audits, inspections, investigations and other proceedings that involve state and federal taxes, safety, and compliance with regulations, rate base and cost of service issues, among other things. We do not expect the outcome of these matters to have a material effect on our financial position, results of operations or cash flows.

U.S. Water Services is involved in on-going patent defense litigation it brought against a company for infringement of two patents held by U.S. Water Services. As of December 31, 2018, U.S. Water Services has recognized approximately $2.6 million of patent defense costs as an intangible asset. Management expects that U.S. Water Services will prevail, but in the event of an unfavorable outcome, the patent defense costs would be recognized as an expense in the period of resolution.

NOTE 12. COMMON STOCK AND EARNINGS PER SHARE

Summary of Common Stock	Shares Thousands	Equity Millions
Balance as of December 31, 2015	49,075	$1,271.4
Employee Stock Purchase Plan	16	0.9
Invest Direct	344	20.0
Options and Stock Awards	65	3.7
Contributions to RSOP	60	3.3
Equity Issuance Program	130	8.0
Received for Sale of Land Inventory	(130)	(8.0)
Acquisition of Non-Controlling Interest	—	(4.0)
Balance as of December 31, 2016	49,560	1,295.3
Employee Stock Purchase Plan	12	0.8
Invest Direct	257	19.0
Options and Stock Awards	22	3.6
Contributions to RSOP	50	3.5
Equity Issuance Program	1,000	65.7
Contribution to Pension	216	13.5
Balance as of December 31, 2017	51,117	1,401.4
Employee Stock Purchase Plan	11	0.8
Invest Direct	277	20.7
Options and Stock Awards	57	2.1
Contributions to RSOP	47	3.5
Balance as of December 31, 2018	51,509	$1,428.5

Equity Issuance Program. We entered into a distribution agreement with Lampert Capital Markets, Inc., in 2008, as amended most recently in 2016, with respect to the issuance and sale of up to an aggregate of 13.6 million shares of our common stock, without par value, of which 2.9 million shares remain available for issuance as of December 31, 2018. For the year ended December 31, 2018, no shares of common stock were issued under this agreement (1.0 million shares for net proceeds of $65.7 million in 2017; 0.1 million shares for net proceeds of $8.0 million in 2016). The shares issued in 2017 and 2016 were offered and sold pursuant to Registration Statement No. 333-212794, pursuant to which the remaining shares will continue to be offered for sale, from time to time.

Contributions to Pension. For the year ended December 31, 2018, we contributed no shares of ALLETE common stock to our pension plan (0.2 million shares, which had an aggregate value of $13.5 million in 2017 and none in 2016). The shares of ALLETE common stock contributed in 2017 were contributed in reliance upon an exemption available pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Earnings Per Share. We compute basic earnings per share using the weighted average number of shares of common stock outstanding during each period. The difference between basic and diluted earnings per share, if any, arises from outstanding stock options, non-vested restricted stock units and performance share awards granted under our Executive Long-Term Incentive Compensation Plan. No options to purchase shares of common stock were excluded from the computation of diluted earnings per share in 2018, 2017 and 2016.

NOTE 12. COMMON STOCK AND EARNINGS PER SHARE (Continued)

Reconciliation of Basic and Diluted Earnings Per Share Year Ended December 31	Basic	Dilutive Securities	Diluted
Millions Except Per Share Amounts			
2018			
Net Income Attributable to ALLETE	$174.1		$174.1
Average Common Shares	51.3	0.2	51.5
Earnings Per Share	$3.39		$3.38
Dividends Per Share	$2.24		$2.24
2017			
Net Income Attributable to ALLETE	$172.2		$172.2
Average Common Shares	50.8	0.2	51.0
Earnings Per Share	$3.39		$3.38
Dividends Per Share	$2.14		$2.14
2016			
Net Income Attributable to ALLETE	$155.3		$155.3
Average Common Shares	49.3	0.2	49.5
Earnings Per Share	$3.15		$3.14
Dividends Per Share	$2.08		$2.08

NOTE 13. INCOME TAX EXPENSE

Income Tax Expense Year Ended December 31	2018	2017	2016
Millions			
Current Income Tax Expense *(a)*			
Federal	—	—	—
State	$0.3	$0.3	$0.4
Total Current Income Tax Expense	$0.3	$0.3	$0.4
Deferred Income Tax Expense (Benefit)			
Federal *(b)*	$(26.2)	$12.1	$12.0
Federal – Remeasurement of Deferred Income Taxes *(c)*	—	(13.0)	—
State	11.0	15.8	8.1
Investment Tax Credit Amortization	(0.6)	(0.5)	(0.7)
Total Deferred Income Tax Expense (Benefit)	$(15.8)	$14.4	$19.4
Total Income Tax Expense (Benefit)	$(15.5)	$14.7	$19.8

(a) For the years ended December 31, 2018, 2017 and 2016, the federal and state current tax expense was minimal due to NOLs which resulted from the bonus depreciation provisions of the Protecting Americans from Tax Hikes Act of 2015, the Tax Increase Prevention Act of 2014 and the American Taxpayer Relief Act of 2012. Federal and state NOLs are being carried forward to offset current and future taxable income.

(b) For the year ended December 31, 2018, the federal tax benefit is primarily due to production tax credits, and the reduction of the federal statutory tax rate from 35 percent to 21 percent enacted as part of the TCJA.

(c) For the year ended December 31, 2017, the federal deferred income tax benefit is due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

NOTE 13. INCOME TAX EXPENSE (Continued).

Reconciliation of Taxes from Federal Statutory Rate to Total Income Tax Expense Year Ended December 31	2018	2017	2016
Millions			
Income Before Non-Controlling Interest and Income Taxes	$158.6	$186.9	$175.6
Statutory Federal Income Tax Rate	21%	35%	35%
Income Taxes Computed at Statutory Federal Rate	$33.3	$65.4	$61.5
Increase (Decrease) in Tax Due to:			
State Income Taxes – Net of Federal Income Tax Benefit	8.9	10.5	5.6
Production Tax Credits	(45.0)	(45.1)	(41.5)
Regulatory Differences – Excess Deferred Tax Benefit *(a)*	(8.2)	1.2	1.4
Change in Fair Value of Contingent Consideration	(0.4)	—	(3.8)
Remeasurement of Deferred Income Taxes *(b)*	—	(13.0)	—
Other	(4.1)	(4.3)	(3.4)
Total Income Tax Expense (Benefit)	$(15.5)	$14.7	$19.8

(a) Excess deferred income taxes are being returned to customers under both the Average Rate Assumption Method and amortization periods as approved by regulators. (See Note 4. Regulatory Matters.)

(b) Deferred income tax benefit from the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

The effective tax rate was a benefit of 9.8 percent for 2018 (expense of 7.9 percent for 2017; expense of 11.3 percent for 2016). The 2018 effective tax rate was primarily impacted by production tax credits, and the reduction of the federal income tax rate from 35 percent to 21 percent enacted as part of the TCJA. The 2017 effective tax rate was primarily impacted by production tax credits and the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. The 2016 effective tax rate was primarily impacted by production tax credits.

Deferred Income Tax Assets and Liabilities As of December 31	2018	2017
Millions		
Deferred Income Tax Assets		
Employee Benefits and Compensation	$62.2	$65.9
Property-Related	95.2	104.3
NOL Carryforwards	86.1	99.1
Tax Credit Carryforwards	349.8	294.3
Power Sales Agreements	27.5	35.0
Regulatory Liabilities	113.4	117.7
Other	25.1	33.3
Gross Deferred Income Tax Assets	759.3	749.6
Deferred Income Tax Asset Valuation Allowance	(66.5)	(60.0)
Total Deferred Income Tax Assets	$692.8	$689.6
Deferred Income Tax Liabilities		
Property-Related	$752.5	$758.3
Regulatory Asset for Benefit Obligations	61.0	61.4
Unamortized Investment Tax Credits	32.2	32.8
Partnership Basis Differences	40.8	34.9
Regulatory Assets	29.9	32.0
Other	—	0.7
Total Deferred Income Tax Liabilities	$916.4	$920.1
Net Deferred Income Taxes *(a)*	$223.6	$230.5

(a) Recorded as a net long-term Deferred Income Tax liability on the Consolidated Balance Sheet

NOTE 13. INCOME TAX EXPENSE (Continued).

NOL and Tax Credit Carryforwards As of December 31	2018	2017
Millions		
Federal NOL Carryforwards *(a)*	$319.0	$375.2
Federal Tax Credit Carryforwards	$256.4	$209.2
State NOL Carryforwards *(a)*	$305.8	$289.9
State Tax Credit Carryforwards *(b)*	$27.4	$25.6

(a) Pre-tax amounts.
(b) Net of a $66.0 million valuation allowance as of December 31, 2018 ($59.5 million as of December 31, 2017).

The federal NOL and tax credit carryforward periods expire between 2031 and 2038. We expect to fully utilize the federal NOL and federal tax credit carryforwards; therefore, no federal valuation allowance has been recognized as of December 31, 2018. The state NOL and tax credit carryforward periods expire between 2024 and 2045. We have established a valuation allowance against certain state NOL and tax credits that we do not expect to utilize before their expiration. We do not expect a material impact on the Company's ability to utilize its federal and state NOL and tax credit carryforwards due to the TCJA.

Gross Unrecognized Income Tax Benefits	2018	2017	2016
Millions			
Balance at January 1	$1.7	$2.0	$2.4
Additions for Tax Positions Related to the Current Year	0.1	0.1	0.1
Additions for Tax Positions Related to Prior Years	0.1	0.1	0.2
Reductions for Tax Positions Related to Prior Years	(0.2)	(0.1)	(0.3)
Lapse of Statute	(0.1)	(0.4)	(0.4)
Balance as of December 31	$1.6	$1.7	$2.0

Unrecognized tax benefits are the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the "more-likely-than-not" criteria. The unrecognized tax benefit balance includes permanent tax positions which, if recognized would affect the annual effective income tax rate. In addition, the unrecognized tax benefit balance includes temporary tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. A change in the period of deductibility would not affect the effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. The gross unrecognized tax benefits as of December 31, 2018, included $0.9 million of net unrecognized tax benefits which, if recognized, would affect the annual effective income tax rate.

As of December 31, 2018, we had no accrued interest (none as of December 31, 2017, and 2016) related to unrecognized tax benefits included on the Consolidated Balance Sheet due to our NOL carryforwards. We classify interest related to unrecognized tax benefits as interest expense and tax-related penalties in operating expenses on the Consolidated Statement of Income. Interest expense related to unrecognized tax benefits on the Consolidated Statement of Income was immaterial in 2018 (immaterial in 2017, and in 2016). There were no penalties recognized in 2018, 2017 or 2016. The unrecognized tax benefit amounts have been presented as reductions to the tax benefits associated with NOL and tax credit carryforwards on the Consolidated Balance Sheet.

No material changes to unrecognized tax benefits are expected during the next 12 months.

ALLETE and its subsidiaries file a consolidated federal income tax return as well as combined and separate state income tax returns in various jurisdictions. ALLETE has no open federal or state audits, and is no longer subject to federal examination for years before 2015 or state examination for years before 2014.

NOTE 14. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in Accumulated Other Comprehensive Loss. Comprehensive income (loss) is the change in shareholders' equity during a period from transactions and events from non-owner sources, including net income. The amounts recorded to accumulated other comprehensive loss include unrealized gains and losses on available-for-sale debt securities as well as defined benefit pension and other postretirement items, consisting of deferred actuarial gains or losses and prior service costs or credits.

For the years ended December 31, 2018, 2017 and 2016, reclassifications out of accumulated other comprehensive loss for the company were not material. Changes in accumulated other comprehensive loss are presented on the Consolidated Statement of Shareholders' Equity.

NOTE 15. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

We have noncontributory union, non-union and combined retiree defined benefit pension plans covering eligible employees. The combined retiree defined benefit pension plan was created in 2016, to include all union and non-union retirees from the existing plans as of January 1, 2016. The plans provide defined benefits based on years of service and final average pay. We contributed $15.0 million in cash to the plans in 2018 ($1.7 million in 2017; $6.3 million in 2016). We contributed no shares of ALLETE common stock to the plans in 2018 (0.2 million shares, which had an aggregate value of $13.5 million in 2017; none in 2016). We also have a defined contribution RSOP covering substantially all employees. The 2018 plan year employer contributions, which are made through the employee stock ownership plan portion of the RSOP, totaled $11.4 million ($11.0 million for the 2017 plan year; $9.2 million for the 2016 plan year). (See Note 12. Common Stock and Earnings Per Share and Note 16. Employee Stock and Incentive Plans.)

The non-union defined benefit pension plan was frozen in 2018, and does not allow further crediting of service or earnings to the plan. Further, it is closed to new participants. The Minnesota Power union defined benefit pension plan is also closed to new participants.

We have postretirement health care and life insurance plans covering eligible employees. In 2010, the postretirement health care plan was closed to employees hired after January 31, 2011, and the eligibility requirements were amended. In 2014, the postretirement life plan was amended to close the plan to non-union employees retiring after December 31, 2015, and in 2018, the postretirement life plan was amended to limit the benefit level for union employees retiring after December 31, 2018. The postretirement health and life plans are contributory with participant contributions adjusted annually. Postretirement health and life benefits are funded through a combination of Voluntary Employee Benefit Association trusts (VEBAs), established under section 501(c)(9) of the Internal Revenue Code, and irrevocable grantor trusts. In 2018, no contributions were made to the VEBAs (none in 2017; none in 2016) and no contributions were made to the grantor trusts (none in 2017; none in 2016).

Management considers various factors when making funding decisions such as regulatory requirements, actuarially determined minimum contribution requirements and contributions required to avoid benefit restrictions for the pension plans. Contributions are based on estimates and assumptions which are subject to change. On January 15, 2019, we contributed $10.4 million in cash to the defined benefit pension plans. We do not expect to make any additional contributions to the defined benefit pension plans in 2019, and we do not expect to make any contributions to the defined benefit postretirement health and life plans in 2019.

Accounting for defined benefit pension and other postretirement benefit plans requires that employers recognize on a prospective basis the funded status of their defined benefit pension and other postretirement plans on their balance sheet and recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost.

The defined benefit pension and postretirement health and life benefit expense (credit) recognized annually by our regulated utilities are expected to be recovered (refunded) through rates filed with our regulatory jurisdictions. As a result, these amounts that are required to otherwise be recognized in accumulated other comprehensive income have been recognized as a long-term regulatory asset (regulatory liability) on the Consolidated Balance Sheet, in accordance with the accounting standards for the effect of certain types of regulation applicable to our Regulated Operations. The defined benefit pension and postretirement health and life benefit expense (credits) associated with our other operations are recognized in accumulated other comprehensive income.

Pension Obligation and Funded Status

As of December 31	2018	2017
Millions		
Accumulated Benefit Obligation	$713.7	$745.4
Change in Benefit Obligation		
Obligation, Beginning of Year	$793.2	$743.3
Service Cost	11.0	10.2
Interest Cost	29.6	32.5
Plan Amendments	(1.5)	—
Plan Curtailments	(6.9)	—
Actuarial (Gain) Loss	(53.0)	44.8
Benefits Paid	(49.5)	(51.0)
Participant Contributions	24.1	13.4
Obligation, End of Year	$747.0	$793.2
Change in Plan Assets		
Fair Value, Beginning of Year	$628.2	$557.5
Actual Return on Plan Assets	(21.2)	91.6
Employer Contribution *(a)*	40.5	30.1
Benefits Paid	(49.5)	(51.0)
Fair Value, End of Year	$598.0	$628.2
Funded Status, End of Year	$(149.0)	$(165.0)
Net Pension Amounts Recognized in Consolidated Balance Sheet Consist of:		
Current Liabilities	$(1.6)	$(1.4)
Non-Current Liabilities	$(147.4)	$(163.6)

(a) Includes Participant Contributions noted above.

The pension costs that are reported as a component within the Consolidated Balance Sheet, reflected in long-term regulatory assets or liabilities and accumulated other comprehensive income, consist of a net loss of $230.5 million and prior service cost of $1.4 million as of December 31, 2018 (net loss of $236.2 million as of December 31, 2017).

Reconciliation of Net Pension Amounts Recognized in Consolidated Balance Sheet

As of December 31	2018	2017
Millions		
Net Loss	$(230.5)	$(236.2)
Prior Service Cost	1.4	—
Accumulated Contributions in Excess of Net Periodic Benefit Cost (Prepaid Pension Asset)	80.1	71.2
Total Net Pension Amounts Recognized in Consolidated Balance Sheet	$(149.0)	$(165.0)

Components of Net Periodic Pension Cost

Year Ended December 31	2018	2017	2016
Millions			
Service Cost	$11.0	$10.2	$8.1
Non-Service Cost Components *(a)*			
Interest Cost	29.6	32.5	33.2
Expected Return on Plan Assets	(44.4)	(42.4)	(43.6)
Amortization of Loss	11.4	9.9	9.5
Amortization of Prior Service Cost	(0.1)	—	—
Net Pension Cost	$7.5	$10.2	$7.2

(a) These components of net periodic pension cost are included in the line item "Other" under Other Income (Expense) on the Consolidated Statement of Income.

Other Changes in Pension Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities

Year Ended December 31	2018	2017
Millions		
Net (Gain) Loss	$5.8	$(4.3)
Amortization of Prior Service Cost	0.1	—
Prior Service Cost Arising During the Period	(1.6)	—
Amortization of Loss	(11.4)	(9.9)
Total Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities	$(7.1)	$(14.2)

Information for Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets

As of December 31	2018	2017
Millions		
Projected Benefit Obligation	$747.0	$793.2
Accumulated Benefit Obligation	$713.7	$745.4
Fair Value of Plan Assets	$598.0	$628.2

Postretirement Health and Life Obligation and Funded Status

As of December 31	2018	2017
Millions		
Change in Benefit Obligation		
Obligation, Beginning of Year	$190.1	$173.4
Service Cost	4.7	4.4
Interest Cost	7.1	7.7
Actuarial (Gain) Loss	(15.8)	15.5
Benefits Paid	(11.6)	(12.2)
Participant Contributions	3.6	3.1
Plan Amendments	(2.1)	(1.8)
Obligation, End of Year	$176.0	$190.1
Change in Plan Assets		
Fair Value, Beginning of Year	$171.0	$154.3
Actual Return on Plan Assets	(9.6)	24.5
Employer Contribution	1.0	1.3
Participant Contributions	3.6	3.1
Benefits Paid	(11.7)	(12.2)
Fair Value, End of Year	$154.3	$171.0
Funded Status, End of Year	$(21.7)	$(19.1)

Net Postretirement Health and Life Amounts Recognized in Consolidated Balance Sheet Consist of:		
Non-Current Assets	$0.4	$3.0
Current Liabilities	$(1.0)	$(1.1)
Non-Current Liabilities	$(21.1)	$(21.0)

According to the accounting standards for retirement benefits, only assets in the VEBAs are treated as plan assets in the preceding table for the purpose of determining funded status. In addition to the postretirement health and life assets reported in the previous table, we had $18.3 million in irrevocable grantor trusts included in Other Investments on the Consolidated Balance Sheet as of December 31, 2018 ($19.2 million as of December 31, 2017).

The postretirement health and life costs that are reported as a component within the Consolidated Balance Sheet, reflected in regulatory long-term assets or liabilities and accumulated other comprehensive income, consist of the following:

Unrecognized Postretirement Health and Life Costs

As of December 31	2018	2017
Millions		
Net Loss	$25.0	$21.1
Prior Service Credit	(4.6)	(4.6)
Total Unrecognized Postretirement Health and Life Cost	$20.4	$16.5

Reconciliation of Net Postretirement Health and Life Amounts Recognized in Consolidated Balance Sheet

As of December 31	2018	2017
Millions		
Net Loss *(a)*	$(25.0)	$(21.1)
Prior Service Credit	4.6	4.6
Accumulated Net Periodic Benefit Cost in Excess of Contributions *(a)*	(1.3)	(2.6)
Total Net Postretirement Health and Life Amounts Recognized in Consolidated Balance Sheet	$(21.7)	$(19.1)

(a) Excludes gains, losses and contributions associated with irrevocable grantor trusts.

Components of Net Periodic Postretirement Health and Life Cost

Year Ended December 31	2018	2017	2016
Millions			
Service Cost	$4.7	$4.4	$3.9
Non-Service Cost Components *(a)*			
Interest Cost	7.1	7.7	7.4
Expected Return on Plan Assets	(10.9)	(10.5)	(11.2)
Amortization of Loss	0.8	0.3	0.2
Amortization of Prior Service Credit	(2.1)	(2.0)	(2.9)
Net Postretirement Health and Life Credit	$(0.4)	$(0.1)	$(2.6)

(a) These components of net periodic postretirement health and life cost are included in the line item "Other" under Other Income (Expense) on the Consolidated Statement of Income.

Other Changes in Postretirement Benefit Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities

Year Ended December 31	2018	2017
Millions		
Net Loss	$4.7	$1.6
Prior Service Credit Arising During the Period	(2.1)	(1.8)
Amortization of Prior Service Credit	2.1	2.0
Amortization of Loss	(0.8)	(0.3)
Total Recognized in Other Comprehensive Income and Regulatory Assets or Liabilities	$3.9	$1.5

Estimated Future Benefit Payments

	Pension	Postretirement Health and Life
Millions		
2019	$47.9	$9.7
2020	$47.4	$9.7
2021	$47.3	$9.8
2022	$47.1	$9.8
2023	$47.0	$9.7
Years 2024 – 2028	$231.1	$51.1

The pension and postretirement health and life costs recorded in regulatory long-term assets or liabilities and accumulated other comprehensive income expected to be recognized as a component of net pension and postretirement benefit costs for the year ending December 31, 2019, are as follows:

	Pension	Postretirement Health and Life
Millions		
Net Loss	$7.3	$0.4
Prior Service Credit	(0.2)	(1.7)
Total Pension and Postretirement Health and Life Cost (Credit)	$7.1	$(1.3)

Assumptions Used to Determine Benefit Obligation

As of December 31	2018	2017
Discount Rate		
Pension	4.39 - 4.53%	3.81 - 3.96%
Postretirement Health and Life	4.47%	3.86%
Rate of Compensation Increase	3.70 - 4.10%	3.70 - 4.10%
Health Care Trend Rates		
Trend Rate	5.00 - 6.46%	5.00 - 6.73%
Ultimate Trend Rate	4.50%	4.50%
Year Ultimate Trend Rate Effective	2038	2038

Assumptions Used to Determine Net Periodic Benefit Costs

Year Ended December 31	2018	2017	2016
Discount Rate	3.81 - 3.96%	4.53 - 4.57%	4.72 - 4.73%
Expected Long-Term Return on Plan Assets			
Pension	7.50%	7.50%	8.00%
Postretirement Health and Life	6.00 - 7.50%	6.00 - 7.50%	6.40 - 8.00%
Rate of Compensation Increase	3.70 - 4.10%	3.70 - 4.30%	3.70 - 4.30%

In establishing the expected long-term rate of return on plan assets, we determine the long-term historical performance of each asset class, adjust these for current economic conditions, and utilizing the target allocation of our plan assets, forecast the expected long-term rate of return.

The discount rate is computed using a bond matching study which utilizes a portfolio of high quality bonds that produce cash flows similar to the projected costs of our pension and other postretirement plans.

The Company utilizes actuarial assumptions about mortality to calculate the pension and postretirement health and life benefit obligations. The mortality assumptions used to calculate our pension and other postretirement benefit obligations as of December 31, 2018, considered a modified RP-2014 mortality table and mortality projection scale.

Sensitivity of a One Percent Change in Health Care Trend Rates

	One Percent Increase	One Percent Decrease
Millions		
Effect on Total of Postretirement Health and Life Service and Interest Cost	$2.0	$(1.6)
Effect on Postretirement Health and Life Obligation	$20.7	$(17.2)

Actual Plan Asset Allocations

	Pension		Postretirement Health and Life *(a)*	
	2018	2017	2018	2017
Equity Securities	32%	53%	62%	64%
Fixed Income Securities	60%	38%	34%	31%
Private Equity	5%	5%	4%	5%
Real Estate	3%	4%	—	—
	100%	100%	100%	100%

(a) Includes VEBAs and irrevocable grantor trusts.

There were no shares of ALLETE common stock included in pension plan equity securities as of December 31, 2018 (no shares as of December 31, 2017).

The defined benefit pension plans have adopted a dynamic asset allocation strategy (glide path) that increases the invested allocation to fixed income assets as the funding level of the plan increases to better match the sensitivity of the plan's assets and liabilities to changes in interest rates. This is expected to reduce the volatility of reported pension plan expenses. The postretirement health and life plans' assets are diversified to achieve strong returns within managed risk. Equity securities are diversified among domestic companies with large, mid and small market capitalizations, as well as investments in international companies. The majority of debt securities are made up of investment grade bonds.

Following are the current targeted allocations as of December 31, 2018:

Plan Asset Target Allocations	Pension	Postretirement Health and Life *(a)*
Equity Securities	32%	60%
Fixed Income Securities	56%	37%
Private Equity	6%	3%
Real Estate	6%	—
	100%	100%

(a) Includes VEBAs and irrevocable grantor trusts.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. We primarily apply the market approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs, which are used to measure fair value, are prioritized through the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). (See Note 9. Fair Value)

Pension Fair Value

	Fair Value as of December 31, 2018			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets:				
Equity Securities:				
U.S. Large-cap *(a)*	—	$59.1	—	$59.1
U.S. Mid-cap Growth *(a)*	—	28.1	—	28.1
U.S. Small-cap *(a)*	—	27.2	—	27.2
International	—	75.8	—	75.8
Fixed Income Securities	—	352.9	—	352.9
Cash and Cash Equivalents	$6.3	—	—	6.3
Private Equity Funds	—	—	$27.8	27.8
Real Estate	—	—	20.8	20.8
Total Fair Value of Assets	$6.3	$543.1	$48.6	$598.0

(a) The underlying investments consist of actively-managed funds managed to achieve the returns of certain U.S. equity securities large-cap, mid-cap and small-cap indexes.

Recurring Fair Value Measures

Activity in Level 3	Private Equity Funds	Real Estate
Millions		
Balance as of December 31, 2017	$33.2	$25.5
Actual Return on Plan Assets	2.8	0.7
Purchases, Sales, and Settlements – Net	(8.2)	(5.4)
Balance as of December 31, 2018	$27.8	$20.8

	Fair Value as of December 31, 2017			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets:				
Equity Securities:				
U.S. Large-cap *(a)*	—	$108.6	—	$108.6
U.S. Mid-cap Growth *(a)*	—	51.9	—	51.9
U.S. Small-cap *(a)*	—	51.5	—	51.5
International	—	122.3	—	122.3
Fixed Income Securities	—	222.8	—	222.8
Cash and Cash Equivalents	$12.4	—	—	12.4
Private Equity Funds	—	—	$33.2	33.2
Real Estate	—	—	25.5	25.5
Total Fair Value of Assets	$12.4	$557.1	$58.7	$628.2

(a) The underlying investments consist of actively-managed funds managed to achieve the returns of certain U.S. equity securities large-cap, mid-cap and small-cap indexes.

Recurring Fair Value Measures

Activity in Level 3	Private Equity Funds	Real Estate
Millions		
Balance as of December 31, 2016	$40.6	$25.6
Actual Return on Plan Assets	7.1	1.7
Purchases, Sales, and Settlements – Net	(14.5)	(1.8)
Balance as of December 31, 2017	$33.2	$25.5

Postretirement Health and Life Fair Value

	Fair Value as of December 31, 2018			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets:				
Equity Securities: *(a)*				
U.S. Large-cap	$29.1	—	—	$29.1
U.S. Mid-cap Growth	21.2	—	—	21.2
U.S. Small-cap	12.9	—	—	12.9
International	30.4	—	—	30.4
Fixed Income Securities:				
Mutual Funds	49.6	—	—	49.6
Debt Securities	—	$4.0	—	4.0
Cash and Cash Equivalents	0.6	—	—	0.6
Private Equity Funds	—	—	$6.5	6.5
Total Fair Value of Assets	$143.8	$4.0	$6.5	$154.3

(a) The underlying investments consist of mutual funds (Level 1).

Recurring Fair Value Measures

Activity in Level 3	**Private Equity Funds**
Millions	
Balance as of December 31, 2017	$8.2
Actual Return on Plan Assets	0.9
Purchases, Sales, and Settlements – Net	(2.6)
Balance as of December 31, 2018	$6.5

	Fair Value as of December 31, 2017			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Millions				
Assets:				
Equity Securities: *(a)*				
U.S. Large-cap	$32.1	—	—	$32.1
U.S. Mid-cap Growth	24.3	—	—	24.3
U.S. Small-cap	15.5	—	—	15.5
International	35.8	—	—	35.8
Fixed Income Securities:				
Mutual Funds	49.8	—	—	49.8
Debt Securities	—	$4.5	—	4.5
Cash and Cash Equivalents	0.8	—	—	0.8
Private Equity Funds	—	—	$8.2	8.2
Total Fair Value of Assets	$158.3	$4.5	$8.2	$171.0

(a) The underlying investments consist of mutual funds (Level 1).

Recurring Fair Value Measures

Activity in Level 3	Private Equity Funds
Millions	
Balance as of December 31, 2016	$9.5
Actual Return on Plan Assets	2.6
Purchases, Sales, and Settlements – Net	(3.9)
Balance as of December 31, 2017	$8.2

Accounting and disclosure requirements for the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Act) provide guidance for employers that sponsor postretirement health care plans that provide prescription drug benefits. We provide a fully insured postretirement health benefit, including a prescription drug benefit, which qualifies us for a federal subsidy under the Act. The federal subsidy is reflected in the premiums charged to us by the insurance company.

NOTE 16. EMPLOYEE STOCK AND INCENTIVE PLANS

Employee Stock Ownership Plan. We sponsor an ESOP within the RSOP. Eligible employees may contribute to the RSOP plan as of their date of hire. The dividends received by the ESOP are distributed to participants. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings. ESOP employer allocations are funded with contributions paid in either cash or the issuance of ALLETE common stock at the Company's discretion. We record compensation expense equal to the cash or current market price of stock contributed. ESOP compensation expense was $11.4 million in 2018 ($11.0 million in 2017; $9.2 million in 2016).

According to the accounting standards for stock compensation, unallocated shares of ALLETE common stock held and purchased by the ESOP were treated as unearned ESOP shares and not considered outstanding for earnings per share computations. All ESOP shares have been allocated to participants as of December 31, 2018, 2017 and 2016.

Stock-Based Compensation. *Stock Incentive Plan.* Under our Executive Long-Term Incentive Compensation Plan (Executive Plan), share-based awards may be issued to key employees through a broad range of methods, including non-qualified and incentive stock options, performance shares, performance units, restricted stock, restricted stock units, stock appreciation rights and other awards. There are 0.9 million shares of ALLETE common stock reserved for issuance under the Executive Plan, of which 0.7 million of these shares remain available for issuance as of December 31, 2018.

The following types of share-based awards were outstanding in 2018, 2017 or 2016:

Non-Qualified Stock Options. Stock options have not been granted since 2008 and none were outstanding as of December 31, 2018 (none in 2017 and an immaterial amount in 2016). These options allow for the purchase of shares of common stock at a price equal to the market value of our common stock at the date of grant. Options become exercisable beginning one year after the grant date, with one-third vesting each year over three years. Options may be exercised up to ten years following the date of grant. In the case of qualified retirement, death or disability, options vest immediately and the period over which the options can be exercised is three years. Employees have up to 3 months to exercise vested options upon voluntary termination or involuntary termination without cause. All options are canceled upon termination for cause. All options vest immediately upon retirement, death, disability or a change of control, as defined in the award agreement. We determine the fair value of options using the Black-Scholes option-pricing model. The estimated fair value of options, including the effect of estimated forfeitures, is recognized as expense on the straight-line basis over the options' vesting periods, or the accelerated vesting period if the employee is eligible for retirement.

The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the grant date. Expected volatility is estimated based on the historic volatility of our stock and the stock of our peer group companies. We utilize historical option exercise and employee pre-vesting termination data to estimate the option life. The dividend growth rate is based upon historical growth rates in our dividends.

Performance Shares. Under the performance share awards, the number of shares earned is contingent upon attaining specific market goals over a three-year performance period. Market goals are measured by total shareholder return relative to a group of peer companies. In the case of qualified retirement, death, or disability during a performance period, a pro rata portion of the award will be earned at the conclusion of the performance period based on the market goals achieved. In the case of termination of employment for any reason other than qualified retirement, death, or disability, no award will be earned. If there is a change in control, a pro rata portion of the award will be paid based on the greater of actual performance up to the date of the change in control or target performance. The fair value of these awards is determined by the probability of meeting the total shareholder return goals. Compensation cost is recognized over the three-year performance period based on our estimate of the number of shares which will be earned by the award recipients.

Restricted Stock Units. Under the restricted stock unit awards, shares for participants eligible for retirement vest monthly over a three-year period. For participants not eligible for retirement, shares vest at the end of the three-year period. In the case of qualified retirement, death or disability, a pro rata portion of the award will be earned. In the case of termination of employment for any reason other than qualified retirement, death or disability, no award will be earned. If there is a change in control, a pro rata portion of the award will be earned. The fair value of these awards is equal to the grant date fair value. Compensation cost is recognized over the three-year vesting period based on our estimate of the number of shares which will be earned by the award recipients.

Employee Stock Purchase Plan (ESPP). Under our ESPP, eligible employees may purchase ALLETE common stock at a 5 percent discount from the market price; we are not required to apply fair value accounting to these awards as the discount is not greater than 5 percent.

RSOP. The RSOP is a contributory defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and qualifies as an employee stock ownership plan and profit sharing plan. The RSOP provides eligible employees an opportunity to save for retirement.

The following share-based compensation expense amounts were recognized in our Consolidated Statement of Income for the periods presented.

Share-Based Compensation Expense

Year Ended December 31	2018	2017	2016
Millions			
Performance Shares	$2.3	$2.1	$1.8
Restricted Stock Units	0.9	1.0	0.8
Total Share-Based Compensation Expense	$3.2	$3.1	$2.6
Income Tax Benefit	$0.9	$0.9	$1.1

There were no capitalized share-based compensation costs during the years ended December 31, 2018, 2017 or 2016.

As of December 31, 2018, the total unrecognized compensation cost for the performance share awards and restricted stock units not yet recognized in our Consolidated Statement of Income was $3.0 million and $1.0 million, respectively. These amounts are expected to be recognized over a weighted-average period of 1.7 years and 1.6 years respectively.

NOTE 16. EMPLOYEE STOCK AND INCENTIVE PLANS (Continued)
Stock-Based Compensation (Continued)

Performance Shares. The following table presents information regarding our non-vested performance shares.

	2018		2017		2016	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested as of January 1	127,898	$58.23	127,580	$52.56	119,540	$52.72
Granted *(a)*	66,557	$76.42	50,729	$62.90	57,189	$52.43
Awarded	(58,293)	$59.82	—	—	—	—
Unearned Grant Award	—	—	(40,801)	$46.27	(42,126)	$52.70
Forfeited	(6,469)	$72.99	(9,610)	$58.29	(7,023)	$53.45
Non-vested as of December 31	129,693	$66.12	127,898	$58.23	127,580	$52.56

(a) Shares granted include accrued dividends.

There were 31,843 performance shares granted in January 2019 for the three-year performance period ending in 2021. The ultimate issuance is contingent upon the attainment of certain goals of ALLETE during the performance periods. The grant date fair value of the performance shares granted was $2.3 million. There were 73,532 performance shares awarded in February 2019. The grant date fair value of the shares awarded was $3.9 million.

Restricted Stock Units. The following table presents information regarding our available restricted stock units.

	2018		2017		2016	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Available as of January 1	55,248	$56.18	54,728	$51.79	57,694	$49.86
Granted *(a)*	16,573	$71.11	21,241	$62.20	20,351	$50.25
Awarded	(18,881)	$55.78	(17,281)	$49.72	(19,661)	$44.33
Forfeited	(3,169)	$64.92	(3,440)	$56.00	(3,656)	$52.87
Available as of December 31	49,771	$60.74	55,248	$56.18	54,728	$51.79

(a) Shares granted include accrued dividends.

There were 12,924 restricted stock units granted in January 2019 for the vesting period ending in 2021. The grant date fair value of the restricted stock units granted was $1.0 million. There were 14,307 restricted stock units awarded in February 2019. The grant date fair value of the shares awarded was $0.7 million.

NOTE 17. BUSINESS SEGMENTS

We present three reportable segments: Regulated Operations, ALLETE Clean Energy, and U.S. Water Services. We measure performance of our operations through budgeting and monitoring of contributions to consolidated net income by each business segment.

Regulated Operations includes three operating segments which consist of our regulated utilities, Minnesota Power and SWL&P, as well as our investment in ATC. ALLETE Clean Energy is our business focused on developing, acquiring and operating clean and renewable energy projects. U.S. Water Services is our integrated water management company. The ALLETE Clean Energy and U.S. Water Services reportable segments comprise our Energy Infrastructure and Related Services businesses. We also present Corporate and Other which includes two operating segments, BNI Energy, our coal mining operations in North Dakota, and ALLETE Properties, our legacy Florida real estate investment, along with our investment in Nobles 2, other business development and corporate expenditures, unallocated interest expense, a small amount of non-rate base generation, approximately 4,000 acres of land in Minnesota, and earnings on cash and investments.

NOTE 17. BUSINESS SEGMENTS (Continued)

Year Ended December 31	2018	2017	2016
Millions			
Operating Revenue *(a)*			
Residential	$139.7	$127.4	$127.9
Commercial	147.9	139.8	139.5
Municipal	54.9	57.9	67.6
Industrial	469.5	470.5	416.0
Other Power Suppliers	170.3	161.8	175.1
CIP Financial Incentive	3.0	5.5	7.5
Other	74.2	100.9	67.1
Total Regulated Operations	1,059.5	1,063.8	1,000.7
Energy Infrastructure and Related Services			
ALLETE Clean Energy			
Long-term PSA	55.2	56.9	58.2
Sale of Wind Energy Facility	81.1	—	—
Other	23.6	23.6	22.3
Total ALLETE Clean Energy	159.9	80.5	80.5
U.S. Water Services			
Point-in-time	100.3	95.8	93.9
Contract	38.3	36.2	30.4
Capital Project	33.5	19.8	13.2
Total U.S. Water Services	172.1	151.8	137.5
Corporate and Other			
Long-term Contract	85.5	89.3	73.7
Other	21.6	33.9	47.3
Total Corporate and Other	107.1	123.2	121.0
Total Operating Revenue	$1,498.6	$1,419.3	$1,339.7
Net Income (Loss) Attributable to ALLETE *(b)(c)*			
Regulated Operations	$131.0	$128.4	$135.5
Energy Infrastructure and Related Services			
ALLETE Clean Energy *(d)*	33.7	41.5	13.4
U.S. Water Services	3.2	10.7	1.5
Corporate and Other *(e)*	6.2	(8.4)	4.9
Total Net Income Attributable to ALLETE	$174.1	$172.2	$155.3

(a) With the adoption of new revenue recognition guidance, the Company has enhanced the presentation of business segment Operating Revenue. (See Note 1. Operations and Significant Accounting Policies.)

(b) Net income in 2017 included a favorable impact of $13.0 million after-tax due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA, which consisted of a $23.6 million after-tax benefit for ALLETE Clean Energy, a $9.2 million after-tax benefit for U.S. Water Services and a $19.8 million after-tax expense for Corporate and Other. The TCJA did not have an impact on net income for our Regulated Operations as the remeasurement of deferred income tax assets and liabilities primarily resulted in the recording of regulatory assets and liabilities. (See Note 1. Operations and Significant Accounting Policies and Note 4. Regulatory Matters.)

(c) Includes interest expense resulting from intercompany loan agreements and allocated to certain subsidiaries. The amounts are eliminated in consolidation.

(d) Net income in 2018 includes the recognition of profit for the sale of a wind energy facility to Montana-Dakota Utilities.

(e) Net income in 2017 included a $7.9 million after-tax favorable impact for the regulatory outcome of the MPUC's modification of tits November 2016 order on the allocation of North Dakota investment tax credits. Net income in 2016 included an $8.8 million after-tax adverse impact for the regulatory outcome of the November 2016 order.

NOTE 17. BUSINESS SEGMENTS (Continued)

Year Ended December 31	2018	2017	2016
Millions			
Depreciation and Amortization			
Regulated Operations	$158.0	$132.6	$154.3
Energy Infrastructure and Related Services			
ALLETE Clean Energy	24.4	23.4	22.3
U.S. Water Services	10.2	9.8	8.9
Corporate and Other	13.0	11.7	10.3
Total Depreciation and Amortization	$205.6	$177.5	$195.8
Operating Expenses – Other *(a)*			
ALLETE Clean Energy	—	—	$3.3
Corporate and Other	$(2.0)	$(0.7)	(13.6)
Total Operating Expenses – Other	$(2.0)	$(0.7)	$(10.3)
Interest Expense *(b)*			
Regulated Operations	$60.2	$57.0	$52.1
Energy Infrastructure and Related Services			
ALLETE Clean Energy	3.6	4.2	5.8
U.S. Water Services	1.5	1.6	1.7
Corporate and Other	7.3	10.3	14.5
Eliminations	(4.7)	(5.3)	(3.8)
Total Interest Expense	$67.9	$67.8	$70.3
Equity Earnings in ATC			
Regulated Operations	$17.5	$22.5	$18.5
Income Tax Expense (Benefit) *(c)*			
Regulated Operations *(d)*	$(15.5)	$27.2	$5.9
Energy Infrastructure and Related Services			
ALLETE Clean Energy	(1.0)	(14.2)	8.1
U.S. Water Services	1.0	(7.8)	1.4
Corporate and Other *(d)*	—	9.5	4.4
Total Income Tax Expense (Benefit)	$(15.5)	$14.7	$19.8

(a) See Note 1. Operations and Significant Accounting Policies.

(b) Includes interest expense resulting from intercompany loan agreements and allocated to certain subsidiaries. The amounts are eliminated in consolidation.

(c) Income tax expense in 2017 included an income tax benefit of $13.0 million due to the remeasurement of deferred income tax assets and liabilities resulting from the TCJA, which consisted of income tax benefits of $23.6 million for ALLETE Clean Energy and $9.2 million for U.S. Water Services as well as additional income tax expense of $19.8 million for Corporate and Other. The TCJA did not have an impact on income tax expense for our Regulated Operations as the remeasurement of deferred income tax assets and liabilities primarily resulted in the recording of regulatory assets and liabilities. (See Note 1. Operations and Significant Accounting Policies and Note 4. Regulatory Matters.)

(d) In 2017, Regulated Operations includes $14.0 million of income tax expense related to North Dakota investment tax credits transferred to Corporate and Other and higher pre-tax income for the favorable impact for the regulatory outcome of the MPUC's modification of its November 2016 order on the allocation of North Dakota investment tax credits. There was no impact to net income for Regulated Operations. Corporate and Other recorded an offsetting income tax benefit of $7.9 million in 2017. In 2016, Regulated Operations includes $15.0 million of income tax benefit for North Dakota investment tax credits transferred from Corporate and Other and lower pre-tax income related to the adverse impact for the regulatory outcome of the November 2016 MPUC order. There was no impact to net income for Regulated Operations. Corporate and Other recorded an offsetting income tax expense of $8.8 million in 2016. (See Note 4. Regulatory Matters.)

NOTE 17. BUSINESS SEGMENTS (Continued)

As of December 31	2018	2017
Millions		
Assets		
Regulated Operations	$3,952.5	$3,886.6
Energy Infrastructure and Related Services		
ALLETE Clean Energy	606.6	600.5
U.S. Water Services	295.8	292.4
Corporate and Other	310.1	300.5
Total Assets	$5,165.0	$5,080.0
Capital Expenditures		
Regulated Operations	$211.9	$177.1
Energy Infrastructure and Related Services		
ALLETE Clean Energy	89.7	56.1
U.S. Water Services	5.0	4.4
Corporate and Other	12.0	28.9
Total Capital Expenditures	$318.6	$266.5

NOTE 18. QUARTERLY FINANCIAL DATA (UNAUDITED)

Information for any one quarterly period is not necessarily indicative of the results which may be expected for the year.

Quarter Ended	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Millions Except Earnings Per Share				
2018				
Operating Revenue	$358.2	$344.1	$348.0	$448.3
Operating Income	$57.4	$36.5	$43.3	$64.0
Net Income Attributable to ALLETE	$51.0	$31.3	$30.7	$61.1
Earnings Per Share of Common Stock				
Basic	$1.00	$0.61	$0.59	$1.19
Diluted	$0.99	$0.61	$0.59	$1.18
2017				
Operating Revenue	$365.6	$353.3	$362.5	$337.9
Operating Income	$71.6	$54.0	$68.0	$32.3
Net Income Attributable to ALLETE	$49.0	$36.9	$44.9	$41.4
Earnings Per Share of Common Stock				
Basic	$0.97	$0.73	$0.88	$0.81
Diluted	$0.97	$0.72	$0.88	$0.81
2016				
Operating Revenue	$333.8	$314.8	$349.6	$341.5
Operating Income	$65.2	$40.6	$51.8	$59.4
Net Income Attributable to ALLETE	$45.9	$24.8	$40.3	$44.3
Earnings Per Share of Common Stock				
Basic	$0.93	$0.50	$0.82	$0.89
Diluted	$0.93	$0.50	$0.81	$0.89

Schedule II

ALLETE

Valuation and Qualifying Accounts and Reserves

	Balance at Beginning of Period	Additions		Deductions from Reserves *(a)*	Balance at End of Period
		Charged to Income	Other Charges		
Millions					
Reserve Deducted from Related Assets					
Reserve For Uncollectible Accounts					
2016 Trade Accounts Receivable	$1.0	$4.1	—	$2.0	$3.1
Finance Receivables – Long-Term	$0.6	—	—	$0.6	—
2017 Trade Accounts Receivable	$3.1	$0.8	—	$1.8	$2.1
Finance Receivables – Long-Term	—	—	—	—	—
2018 Trade Accounts Receivable	$2.1	$0.9	—	$1.3	$1.7
Finance Receivables – Long-Term	—	—	—	—	—
Deferred Asset Valuation Allowance					
2016 Deferred Tax Assets	$31.6	$11.4	—	—	$43.0
2017 Deferred Tax Assets	$43.0	$17.0	—	—	$60.0
2018 Deferred Tax Assets	$60.0	$6.5	—	—	$66.5

(a) Includes uncollectible accounts written-off.

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of January 10, 2019

among

ALLETE, INC.,
as Borrower,

The Lenders Party Hereto,

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

and

BANK OF AMERICA, N.A.,
ROYAL BANK OF CANADA,
U.S. BANK NATIONAL ASSOCIATION and
WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Documentation Agents

J.P. MORGAN CHASE BANK, N.A.
Sole Lead Arranger and Sole Book Runner

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SCHEDULES:

EXHIBITS:

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") dated as of January 10, 2019, is among ALLETE, INC. (the "Borrower"), the Lenders party hereto and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

WHEREAS, the Borrower, various financial institutions and JPMorgan Chase Bank, N.A., as administrative agent, have entered into a credit agreement dated as of November 4, 2013 (the "Existing Credit Agreement");

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement pursuant to this Agreement; and

WHEREAS, the parties hereto intend that this Agreement and the documents executed in connection herewith not effect a novation of the obligations of the Borrower under the Existing Credit Agreement, but merely a restatement of and, where applicable, an amendment to the terms governing such obligations;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged hereby, the parties hereto agree as follows:

Article 1.

DEFINITIONS AND INTERPRETATION

Section 1.1. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate. For the avoidance of doubt, a Loan that bears interest at a rate determined pursuant to clause (c) of the definition of Alternate Base Rate shall, for all purposes of this Agreement, be deemed to be an ABR Loan and not a Eurodollar Loan.

"Accountants" means PricewaterhouseCoopers, L.L.P. or another registered public accounting firm of recognized national standing.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders hereunder, and any successor in such capacity.

"Administrative Questionnaire" means an administrative questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" has the meaning assigned to such term in the preamble.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%; provided that for the purpose of this definition, the Adjusted LIBO Rate for any day shall be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate, respectively. If the Alternate Base Rate is being used as an alternate rate of interest pursuant to Section 3.4, then the Alternate Base Rate shall be the greater of clauses (a) and (b) above and shall be determined without reference to clause (c) above. For the avoidance of doubt, if the Alternate Base Rate as determined pursuant to the foregoing would be less than 1.00%, such rate shall be deemed to be 1.00% for purposes of this Agreement.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption.

"Anti-Terrorism Laws" has the meaning assigned to such term in Section 4.12.

"Applicable Margin" means a rate per annum determined pursuant to Schedule 1.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment; provided that in the case of Section 2.11 when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the total Commitments (disregarding any Defaulting Lender's Commitments) represented by such Lender's Commitments. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of such determination.

"Approved Electronic Platform" has the meaning assigned to such term in Section 9.3(a).

"Approved Fund" means, with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.4), and accepted by the Administrative Agent, substantially in the form of Exhibit A or in such other form as shall be acceptable to the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and, if different, the date of termination of the Commitments.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bankruptcy Event" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event

shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, provided, further, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"Beneficial Ownership Certification" means a certification regarding beneficial ownership or control as required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

"Benefit Plan" means any of (a) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes of the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means ALLETE, Inc., a Minnesota corporation.

"Borrower Financial Statements" has the meaning assigned to such term in Section 4.4(a).

"Borrowing" means Loans of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed, provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" means with respect to any Person, obligations of such Person to pay rent or other amounts under any lease (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP, provided that no power purchase agreement shall constitute a Capital Lease Obligation.

"Change in Control" means the occurrence of any of the following: (a) the consummation of any transaction the result of which is that any "person" or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 but excluding any employee benefit plan of the Borrower or its Subsidiaries, and any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) of more than 30% of the total voting power in the aggregate of all classes of the Voting Securities of the Borrower then outstanding, (b) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors of the Borrower cease for any reason to constitute a majority of the directors of the Borrower then in office unless (i) such new directors were elected or nominated by a majority of the directors of the Borrower who constituted the board of directors of the Borrower at the beginning of such period or (ii) the reason for such directors failing to constitute a majority is a result of retirement by directors due to age, death or disability or (c) any event or condition relating to a change of control of the Borrower shall occur which requires or permits the holder or holders of indebtedness of the Borrower in an aggregate principal amount of $35,000,000 or more, or any agent or trustee for such holders, to require payment, purchase, redemption or defeasance of such indebtedness prior to its expressed maturity.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or any United States or foreign regulatory authority, in each case pursuant to Basel III, shall, in each case referred to in the foregoing clauses (x) and (y), be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"CoBank" means CoBank ACB.

"CoBank Equities" has the meaning assigned to such term in Section 10.17(a).

"Code" means the Internal Revenue Code of 1986.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit hereunder in an aggregate outstanding amount not exceeding the amount of such Lender's Commitment as set forth on Schedule 2.1 plus, the amount of any increase set forth in each Increase Supplement executed and delivered by such Lender, the Borrower and the Administrative Agent or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment in accordance with Section 10.4(b), as applicable, as such Commitment may be adjusted from time to time pursuant to Section 2.5 or pursuant to assignments by or to such Lender pursuant to Section 10.4. The initial aggregate amount of the Commitments is $400,000,000.

"Communications" has the meaning assigned to such term in Section 9.3(c).

"Compliance Certificate" means a certificate, substantially in the form of Exhibit D.

"Consolidated Assets" means the total amount of assets shown on the consolidated balance sheet of the Borrower and its Subsidiaries, determined in accordance with GAAP and prepared as of the end of the fiscal quarter then most recently ended for which financial statements have been filed with the SEC.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Exposure" means, with respect to any Lender at any time, the sum of the aggregate outstanding principal amount of such Lender's Loans and its LC Exposure at such time.

"Credit Parties" means the Administrative Agent, the Issuing Banks and the Lenders.

"Credit Request" means a Credit Request, substantially in the form of Exhibit B, or in such other form as shall be acceptable to the Administrative Agent.

"Declining Lender" has the meaning assigned to such term in Section 2.8.

"Default" means any event or condition that constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Lender" means any Lender, as determined by the Administrative Agent (or if the Administrative Agent is the Defaulting Lender, by the Required Lenders), that (a) has failed, within three (3) Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or any Credit Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement) or generally under other agreements in which it commits to extend credit, (c) has failed, within three (3) Business Days after request by a Credit Party (based on the reasonable belief that it may not fulfill its funding obligation), acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations) to fund prospective Loans and participations in then outstanding Letters of Credit under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of (A) a Bankruptcy Event or (B) a Bail-In Action.

"Disclosed Matters" means the actions, suits, proceedings and environmental matters disclosed in (a) Schedule 4.5/4.6, (b) the current and periodic reports filed by the Borrower from time to time with the SEC pursuant to the requirements of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, or (c) disclosed by the Borrower to the Lenders (either directly or indirectly through the Administrative Agent) in writing.

"Disqualified Stock" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures (excluding any maturity as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the unconditional sole option of the holder thereof (other than solely for Equity Interests that do not constitute Disqualified Stock), in whole or in part, on or prior to the date that is 180 days after the Maturity Date.

"dollars" or "$" refers to lawful money of the United States of America.

"EEA Financial Institution" means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" means January 10, 2019.

"Electronic Signature" means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

"Eligible Assignees" means any of the following (a) any commercial banks, finance companies, insurance companies and other financial institutions and funds (whether a corporation, partnership or other entity) engaged generally in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business, provided that unless such entity is a Lender or an Affiliate of a Lender, such entity has been approved by the Administrative Agent, the Issuing Banks and, unless an Event of Default has occurred and is continuing at the time of assignment to such entity, the Borrower (each such approval not to be unreasonably withheld or delayed), and provided, further, that any such entity shall be entitled, as of the date such entity becomes a Lender, to receive payments under its Note without deduction or withholding with respect to United States federal income tax, (b) each of the Lenders and (c) any Affiliate or Approved Fund of a Lender, and each is an "Eligible Assignee".

"Environmental Law" means any and all applicable present and future treaties, laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by or with any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the presence, management, release or threatened release of any Hazardous Material or to health and safety matters.

"Equity Interest" means (a) shares of corporate stock, partnership interests, limited liability company membership interests, and any other interest that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and (b) all warrants, options or other rights to acquire any Equity Interest set forth in the foregoing clause (a).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower or any Subsidiary, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived), (b) any failure to satisfy the minimum funding standards of Section 412 of the Code or Section 302 of ERISA with respect to any Plan, whether or not waived, (c) the incurrence by the Borrower, any Subsidiary or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan, (d) the receipt by the Borrower, any Subsidiary or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan, (e) the incurrence by the Borrower, any Subsidiary or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan or (f) the receipt by the Borrower, any Subsidiary or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower, any Subsidiary or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate. For the avoidance of doubt, a Loan that bears interest at a rate determined pursuant to clause (c) of the definition of Alternate Base Rate shall, for all purposes of this Agreement, be deemed to be an ABR Loan and not a Eurodollar Loan.

"Event of Default" has the meaning assigned to such term in Article 8.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan, Letter of Credit or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan, Letter of Credit or Commitment (other than pursuant to an assignment request by the Borrower under Section 3.8(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 3.7, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender acquired the applicable interest in a Loan, Letter of Credit or Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 3.7(f), and (d) any withholding Taxes imposed under FATCA.

"Existing Credit Agreement" has the meaning assigned to such term in the recitals.

"Existing Letters of Credit" means the Letters of Credit listed on Schedule 2.9 hereof.

"Extension Effective Date" has the meaning assigned to such term in Section 2.8.

"Extension Request" has the meaning assigned to such term in Section 2.8.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

"Federal Funds Effective Rate" means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depositary institutions, as determined in such manner as the NYFRB shall set forth on its public website from time to time, and published on the next succeeding Business Day by the NYFRB as the effective federal funds rate; provided that if the Federal Funds Effective Rate as so determined would be less than zero, such rate shall be deemed to zero for the purposes of this Agreement.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"Fitch" means Fitch Ratings Inc., or any successor thereto.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and in the statements and pronouncements of the Financial Accounting Standards Board or in such other statement by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, consistently applied; provided that in the event Borrower converts to use the International Financial Reporting Standards by the International Accounting Standards Board or other method of accounting, as may hereafter be required or permitted by the SEC, then the term "GAAP" as used in this Agreement shall be deemed to mean and refer to such International Financial Reporting Standards or such other method of accounting instead, which are applicable to the circumstances as of the date of determination, consistently applied.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, commission, exchange, association, board, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including supranational bodies such as the European Union or European Central Bank).

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranteed" has a meaning correlative thereto. The amount of any Guarantee of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Guarantee) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith, provided that, notwithstanding anything in this definition to the contrary, the amount of any Guarantee of a Person in respect of any Permitted Hedge Agreement by any other Person with a counterparty shall be deemed to be the maximum reasonably anticipated liability of such other Person, as determined in good faith by such Person, net of any obligation or liability of such counterparty in respect of any Permitted Hedge Agreement with such Person, provided further that the obligations of such other Person under such Permitted Hedge Agreement with such counterparty shall be terminable at the election of such other Person in the event of a default by such counterparty in its obligations to such other Person.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedge Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest rate, currency exchange rate or commodity price hedge, future, forward, swap, option, cap, floor, collar or similar agreement or arrangement (including both physical and financial settlement transactions).

"IBA" has the meaning assigned to such term in Section 1.5.

"Immaterial Subsidiary" means a Subsidiary that (a) has consolidated total assets with a book value not exceeding 5% of Consolidated Assets as of the end of the most recent fiscal quarter for which financial statements have been filed with the SEC and (b) had total revenues not exceeding 5% of the Borrower's consolidated total revenues for the period ending on the last day of such fiscal quarter.

"Immaterial Transaction" means any transaction or event described in paragraph (i) or (j) of Article 8 so long as, after giving effect to such transaction or event, all Subsidiaries that have become subject to such transactions or events during the 12-month period ending on the date of such transaction or event (a) had consolidated total assets with a fair market value not exceeding 5% of Consolidated Assets as of the end of the most recent fiscal quarter for which financial statements have been filed with the SEC and (b) had total revenues not exceeding 5% of the Borrower's consolidated total revenues for the period ending on the last day of such fiscal quarter.

"Impacted Interest Period" has the meaning assigned to it in the definition of "LIBO Rate."

"Increase Supplement" means an increase supplement in the form of Exhibit E.

"Increasing Lender" has the meaning assigned to such term in Section 2.5(d).

"Indebtedness" means as to any Person, at a particular time, all items which constitute, without duplication, (a) indebtedness for borrowed money or the deferred purchase price of property (excluding trade payables incurred in the ordinary course of business and excluding any such obligations payable solely through the Borrower's issuance of Equity Interests (other than the Disqualified Stock and Equity Interests convertible into Disqualified Stock)), (b) indebtedness evidenced by notes, bonds, debentures or similar instruments, (c) obligations with respect to any conditional sale or title retention agreement, (d) indebtedness arising under acceptance facilities and the amount available to be drawn under all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder to the extent such Person shall not have reimbursed the issuer in respect of the issuer's payment of such drafts, (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof, provided that the amount of such liabilities included for purposes of this definition will be the amount equal to the lesser of the fair market value of such property and the amount of the liabilities so secured, (f) indebtedness in respect of Disqualified Stock valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued dividends, (g) liabilities in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any shares of equity securities or any option, warrant or other right to acquire any shares of equity securities, (h) obligations under Capital Lease Obligations, (i) Guarantees of such Person in respect of Indebtedness of others, and (j) to the extent not otherwise included, all net obligations of such Person under Permitted Hedge Agreements.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in (a) hereof, Other Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.3(b).

"Information" has the meaning assigned to such term in Section 10.15.

"Intellectual Property" means all copyrights, trademarks, servicemarks, patents, trade names and service names.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 3.2.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Eurodollar Loan is a part and, in the case of a Eurodollar Loan with an Interest Period of more than three months' duration, the three-month anniversary of the first day of such interest period and (c) with respect to all Loans, (i) on the date of any prepayment or (ii) on the Maturity Date.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one week or one, two, three or six months thereafter, as the Borrower may elect, provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interpolated Rate" means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBO Screen Rate for the longest period (for which the LIBO Screen Rate is available) that is shorter than the Impacted Interest Period; and (b) the LIBO Screen Rate for the shortest period (for which that LIBO Screen Rate is available) that exceeds the Impacted Interest Period, in each case, at such time.

"Investment Grade Rating" has the meaning assigned to such term in Section 7.2.

"Issuing Bank" means JPMorgan Chase, CoBank and any other Lender that agrees to act as an Issuing Bank, each in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.9(i). Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate. Each reference herein to the "Issuing Bank" in connection with a Letter of Credit or other matter shall be deemed to be a reference to the relevant Issuing Bank with respect thereto.

"JPMorgan Chase" means JPMorgan Chase Bank, N.A.

"LC Disbursement" means a payment made by an Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, (a) with respect to all of the Lenders, the sum, without duplication, of (i) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (ii) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time and (b) with respect to each Lender, its Applicable Percentage of the amount determined under clause (a).

"Lenders" means the Persons listed on Schedule 2.1 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption or an Increase Supplement other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

"Letter of Credit" means any standby letter of credit (and any successive renewals thereof) issued pursuant to this Agreement.

"Letter of Credit Commitment" means, with respect to each Issuing Bank, the commitment of such Issuing Bank to issue Letters of Credit hereunder. The initial amount of each Issuing Bank's Letter of Credit Commitment is set forth on Schedule 2, or if an Issuing Bank has entered into an Assignment and Assumption or has otherwise assumed a Letter of Credit Commitment after the Effective Date, the amount set forth for such Issuing Bank as its Letter of Credit Commitment in the Register maintained by the Administrative Agent. The Letter of Credit Commitment of an Issuing Bank may be modified from time to time by agreement between such Issuing Bank and the Borrower, and notified to the Administrative Agent..

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the LIBO Screen Rate at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; provided that if the LIBO Screen Rate shall not be available at such time for such Interest Period (an "Impacted Interest Period") then the LIBO Rate shall be the Interpolated Rate.

"LIBO Screen Rate" means, for any day and time, with respect to any Eurodollar Borrowing for any Interest Period, the London interbank offered rate as administered by the IBA (or any other Person that takes over the administration of such rate for dollars for a period equal in length to such Interest Period as displayed on such day and time on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion); provided that if the LIBO Screen Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien (statutory or other), assignment, deposit arrangement, pledge, hypothecation, encumbrance or preference, priority, charge or other security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan" means a loan referred to in Section 2.1 and made pursuant to Section 2.4 or 2.9(e).

"Loan Documents" means this Agreement, each Note issued pursuant to Section 2.6(e) and each Letter of Credit and the related documentation.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Material Adverse Change" means a material adverse change in (a) the financial condition, operations, business or property of (ii) the Borrower or (ii) the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its obligations under the Loan Documents or (c) the ability of the Credit Parties to enforce their rights and remedies under the Loan Documents.

"Material Adverse Effect" means a material adverse effect on (a) the financial condition, operations, business or property of (i) the Borrower or (ii) the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its obligations under the Loan Documents, or (c) the ability of the Credit Parties to enforce their rights and remedies under the Loan Documents.

"Material Obligations" means as of any date, Indebtedness (other than Indebtedness under the Loan Documents) or operating leases of any one or more of the Borrower or any Subsidiary or, in the case of the Borrower only, any Guarantee, in an aggregate principal amount exceeding $35,000,000. For purposes of determining Material Obligations, the "principal amount" of Indebtedness, operating leases or Guarantees at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary, as applicable, would be required to pay if such Indebtedness, operating leases or Guarantees became due and payable on such day.

"Maturity Date" means January 10, 2024.

"Maximum Rate" has the meaning assigned to such term in Section 10.12.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Mortgage" means the Mortgage and Deed of Trust, dated as of September 1, 1945, among the Borrower, The Bank of New York Mellon (formerly Irving Trust Company) and Andres Serrano (successor to Philip L. Watson), Trustees.

"MPUC" means the Minnesota Public Utilities Commission or any Governmental Authority succeeding to the functions thereof.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"New Lender" has the meaning assigned to such term in Section 2.5(d).

"Note" means a promissory note substantially in the form of Exhibit C issued at the request of a Lender pursuant to Section 2.6(e) to evidence its Loans.

"NYFRB" means the Federal Reserve Bank of New York.

"NYFRB Rate" means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Business Day, for the immediately preceding Business Day); provided that if none of such rates are published for any day that is a Business Day, the term "NYFRB Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received by the Administrative Agent from a federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates as so determined be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"OFAC" has the meaning assigned to such term in Section 4.14.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan, Letter of Credit or Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB as set forth on its public website from time to time, and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate.

"Participant" has the meaning assigned to such term in Section 10.4(d).

"Participant Register" has the meaning assigned to such term in Section 10.4(d).

"PATRIOT Act" means the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes, assessments or similar charges incurred in the ordinary course of business that are not yet due or are being contested in compliance with Section 6.4, provided that enforcement of such Liens is stayed pending such contest;

(b) landlords', vendors', carriers', warehousemen's, mechanics', materialmen's, contractors', repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations which are not delinquent or are being contested, provided that enforcement of such Liens is stayed pending such contest;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations (but not ERISA);

(d) pledges and deposits to secure the performance of bids, trade contracts, leases, purchase agreements, government contracts, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business, and other than promissory notes and contracts for the repayment of borrowed money;

(e) Liens (including contractual security interests) in favor of a financial institution (including securities firms) encumbering deposit accounts or checks or instruments for collection, commodity accounts or securities accounts (including the right of set-off) at or held by such financial institution in the ordinary course of its commercial business and which secure only liabilities owed to such financial institution arising out of or resulting from its maintenance of such account or otherwise are within the general parameters customary in the financial industry;

(f) judgment liens in respect of judgments that do not constitute an Event of Default under paragraph (k) of Article 8;

(g) any interest of a lessor or licensor in property under an operating lease under which the Borrower or any Subsidiary is lessee or licensee, and any restriction or encumbrance to which the interest of such lessor or licensor is subject;

(h) Liens arising from filed UCC-1 financing statements relating solely to leases not prohibited by this Agreement;

(i) leases or subleases granted to others that do not materially interfere with the ordinary conduct of business of the Borrower and its Subsidiaries;

(j) licenses of Intellectual Property granted by the Borrower or any Subsidiary in the ordinary course of business and not materially interfering with the ordinary conduct of the business of the Borrower and its Subsidiaries;

(k) easements, servitudes (contractual and legal), zoning restrictions, rights of way, encroachments, minor defects and irregularities in title and other similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not render title to such property unmarketable or materially interfere with the ability of the Borrower and its Subsidiaries, as the case may be, to utilize their respective properties for their intended purposes;

(l) Liens securing obligations, neither assumed by the Borrower or any Subsidiary nor on account of which the Borrower or any Subsidiary customarily pays interest, upon real estate on which the Borrower or any Subsidiary has a right-of-way, easement, franchise or other servitude or of which the Borrower or any Subsidiary is the lessee, for the purpose of locating transmission and distribution lines and related support structures, pipe lines, substations, measuring stations, tanks, pumping or delivery equipment or similar equipment, or service buildings incidental to any of the foregoing;

(m) Liens with respect to properties involved in the production of oil, gas and other minerals, unitization and pooling agreements and orders, operating agreements, royalties, reversionary interests, preferential purchase rights, farmout agreements, gas balancing agreements and other agreements, in each case that are customary in the oil, gas and mineral production business in the general area of such property and that are entered into in the ordinary course of business;

(n) Liens in favor of Governmental Authorities encumbering assets acquired in connection with a government grant program, and the right reserved to, or vested in, any Governmental Authority by the terms of any right, power, franchise, grant, license, or permit, or by any provision of law, to purchase, condemn, recapture or designate a purchaser of any property;

(o) Liens on Margin Stock to the extent that a prohibition on such Liens would violate Regulation U;

(p) Liens on any cash collateral for Letters of Credit issued under (i) the Borrower's primary revolving credit facility upon the occurrence of an event of default thereunder or to cover an issuing lender's credit exposure under such facility with respect to a defaulting lender thereunder and (ii) this Agreement or for a Defaulting Lender's LC Exposure;

(q) customary Liens for the fees and expenses of trustees and escrow agents pursuant to any indenture, escrow agreement or similar agreement establishing a trust or escrow arrangement;

(r) agreements for and obligations (other than repayment of borrowed money) relating to the joint or common ownership, operation, and use of property, including Liens under joint venture or similar agreements securing obligations incurred in the conduct of operations or consisting of a purchase option, call or right of first refusal with respect to the Equity Interests in such jointly owned Person; and

(s) Liens granted on cash or invested funds constituting proceeds of any sale or disposition of property deposited into escrow accounts to secure indemnification, adjustment of purchase price or similar obligations incurred in connection with such sale or disposition, in an amount not to exceed the amount of gross proceeds received from such sale or disposition.

"Permitted Hedge Agreement" means any Hedge Agreement engaged in by a Person as part of its normal business operations with the purpose and effect of hedging and protecting such Person against fluctuations or adverse changes in the prices of electricity, gas, fuel or other commodities, interest rates or currency exchange rates, which Hedge Agreement is part of a risk management strategy and not for purposes of speculation and not intended primarily as a borrowing of funds.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower, any Subsidiary or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Plan Asset Regulations" means 29 CFR § 2510.3-101 *et seq.*, as modified by Section 3(42) of ERISA, as amended from time to time.

"Prime Rate" means the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent). Each change in the Prime Rate shall be effective from and including the date such change is publicly announced or quoted as being effective.

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Rating Agencies" means Fitch, Moody's and S&P (or, if any of the foregoing ceases to provide Senior Debt Ratings as contemplated hereby, such other nationally recognized rating agency as shall be agreed by the Borrower and the Administrative Agent).

"Recipient" means (a) the Administrative Agent, (b) any Lender and (c) any Issuing Bank, as applicable.

"Register" has the meaning assigned to such term in Section 10.4(c).

"Regulation D" means Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation T" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Deposit Amount" means in the event that as a result of the deposit of cash collateral with the Administrative Agent pursuant to Section 2.9(i) the Borrower (a) is not required to grant a security interest in such cash collateral to any other Person, an amount equal to the LC Exposure on the date on which cash collateral is required to be deposited, or (b) is required to grant a security interest in such cash collateral to any other Person, an amount equal to the LC Exposure on the date on which cash collateral is required to be deposited multiplied by a fraction, the numerator of which is the sum of the LC Exposure plus the principal amount of all other obligations to be secured by such cash collateral and the denominator of which is the amount of such LC Exposure.

"Required Lenders" means, at any time, Lenders having unused Commitments, LC Exposure and outstanding Loans representing more than 50% of the sum of the unused Commitments, LC Exposure and outstanding Loans of all Lenders.

"Restricted Person" has the meaning assigned to such term in Section 4.14.

"S&P" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, or any successor thereto.

"SEC" means the Securities and Exchange Commission or any Governmental Authority succeeding to the functions thereof.

"Senior Debt Rating" means, at any date, the credit rating identified by a Rating Agency as the credit rating that (i) it has assigned to long term unsecured senior debt of the Borrower or (ii) would assign to long term unsecured senior debt of the Borrower were the Borrower to issue or have outstanding any long term unsecured senior debt on such date.

"Sole Lead Arranger and Sole Bookrunner" means J.P. Morgan Chase, in its capacity as Sole Lead Arranger and Sole Bookrunner hereunder.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages, if any, (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D). Such reserve percentages shall include those imposed pursuant to Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subsidiary" means, as to any Person, any corporation, association, partnership, limited liability company, joint venture or other business entity of which such Person or any Subsidiary of such Person, directly or indirectly, either (i) in respect of a corporation, owns or controls more than 50% of the outstanding Equity Interests having ordinary voting power to elect a majority of the board of directors or similar managing body, irrespective of whether a class or classes shall or might have voting power by reason of the happening of any contingency, or (ii) in respect of an association, partnership, joint venture or other business entity, is entitled to share in more than 50% of the profits and losses, however determined. Unless the context otherwise requires, any reference to a Subsidiary shall be deemed to refer to a Subsidiary of the Borrower.

"SWLP Mortgage" means the Mortgage and Deed of Trust, dated as of March 1, 1943, between Superior Water, Light and Power Company and U.S. Bank National Association (successor to First Bank (N.A.) as successor to Chemical Bank and Trust Company as Corporate Trustee and Howard B. Smith as Co-Trustee) as Trustee.

"Tax" means any present or future tax, levy, assessment, impost, duty, charge, fee, deduction or withholding of any nature, and whatever called, by a Governmental Authority, on whomsoever and wherever imposed, levied, collected, withheld or assessed.

"Total Capitalization" means, at any time, the difference between (a) the sum of each of the following at such time with respect to the Borrower and the Subsidiaries, determined on a consolidated basis in accordance with GAAP: (i) preferred Equity Interests, plus (ii) common Equity Interests and any premium on Equity Interests thereon (as such term is used in the Borrower Financial Statements), excluding accumulated other comprehensive income or loss, plus (iii) retained earnings, plus (iv) Total Indebtedness, and (b) (i) stock of the Borrower acquired by the Borrower and (ii) stock of a Subsidiary acquired by such Subsidiary, in each case at such time, as applicable, determined on a consolidated basis in accordance with GAAP.

"Total Indebtedness" means at any time, all Indebtedness (net of unamortized premium and discount (as such term is used in the Borrower Financial Statements)) at such time of the Borrower and the Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Transactions" means (a) the execution, delivery and performance by the Borrower of each Loan Document to which it is a party, (b) the borrowing of the Loans and the issuance of the Letters of Credit and (c) the use of the proceeds of the Loans and the Letters of Credit.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to (a) the Adjusted LIBO Rate or (b) the Alternate Base Rate. For the avoidance of doubt, a Loan that bears interest at a rate determined pursuant to clause (c) of the definition of Alternate Base Rate shall, for all purposes of this Agreement, be deemed to be an ABR Loan and not a Eurodollar Loan.

"U.S. Person" means a "United States person" within the meaning of Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning assigned to such term in Section 3.7(f)(ii)(B)(3).

"Voting Security" means a security which ordinarily has voting power for the election of the board of directors (or other governing body), whether at all times or only so long as no senior class of Equity Interests has such voting power by reason of any contingency.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"WPS" means the Public Service Commission of Wisconsin or any Governmental Authority succeeding to the functions thereof.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.2. Classification of Loans and Borrowings. For purposes of this Agreement, (a) Loans may be classified and referred to by Type (e.g., a "Eurodollar Loan") and (b) Borrowings may also be classified and referred to by Type (e.g., a "Eurodollar Borrowing").

Section 1.3. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified, (b) any definition of or reference to any law shall be construed as referring to such law as from time to time amended and any successor thereto and the rules and regulations promulgated from time to time thereunder, (c) any reference herein to any Person shall be construed to include such Person's successors and assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and (g) any reference to a fiscal quarter or fiscal year means a fiscal quarter or fiscal year of the Borrower. Unless otherwise specified, each reference herein to a time of day shall mean such time in New York, New York.

Section 1.4. Accounting Terms; GAAP.

(a) Except as otherwise expressly provided herein, as used in the Loan Documents and in any certificate, opinion or other document made or delivered pursuant thereto, accounting terms not defined in Section 1.1, and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP. If at any time any change in GAAP (including any change to the International Financial Reporting Standards by the International Accounting Standards Board or other method of accounting, as may hereafter be required or permitted by the SEC) would affect the computation of any financial requirement set forth in this Agreement, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such requirement to reflect such change in GAAP (subject to the approval of the Required Lenders), provided that, until so amended, (i) such requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Credit Parties financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such requirement made before and after giving effect to such change in GAAP.

(b) Notwithstanding anything to the contrary contained in Section 1.4(a) or in the definition of "Capital Lease Obligations," in the event of an accounting change requiring all leases to be capitalized, only those leases (assuming for purposes hereof that such leases were in existence on the date hereof) that would constitute capital leases in conformity with GAAP on the date hereof shall be considered capital leases, and all calculations and deliverables under this Agreement or any other Loan Document shall be made or delivered, as applicable, in accordance therewith.

Section 1.5. Interest Rates; LIBOR Notification. The interest rate on Eurodollar Loans is determined by reference to the LIBO Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021,it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the "IBA") for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Eurodollar Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. In the event that the London interbank offered rate is no longer available or in certain other circumstances as set forth in Section 3.4(b) of this Agreement, such Section 3.4(b) provides a mechanism for determining an alternative rate of interest. The Administrative Agent will notify the Borrower, pursuant to Section 3.4, in advance of any change to the reference rate upon which the interest rate on Eurodollar Loans is based. However, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "LIBO Rate" or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 3.4(b), will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

Section 1.6. Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.7. Amendment and Restatement. The Borrower and the Lenders acknowledge and agree that (a) effective at the time at which all conditions precedent set forth in Section 5.1 have been satisfied, this Agreement shall amend and restate in its entirety the Existing Credit Agreement and (b) there are no outstanding Loans under the Existing Credit Agreement.

Article 2.

THE CREDITS

Section 2.1. Commitments. Subject to the terms and conditions hereof, each Lender severally agrees to make Loans to the Borrower in dollars from time to time during the Availability Period in an aggregate principal amount that will not result in such Lender's Credit Exposure exceeding such Lender's Commitment. Within the foregoing limits, the Borrower may borrow, prepay and reborrow Loans.

Section 2.2. Loans and Borrowings.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, provided that the Commitments of the Lenders are several, and no Lender shall be responsible for any other Lender's failure to make any Loan as required.

(b) Subject to Section 3.4, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans, as applicable, in each case as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan (and any ABR Loan, the interest on which is determined pursuant to clause (c) of the definition of Alternate Base Rate) by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is $5,000,000 or a higher integral multiple of $1,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is $5,000,000 or a higher integral multiple of $1,000,000, provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or in an aggregate amount that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.9(e). Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of ten Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.3. Requests for Borrowings.

(a) To request a Borrowing, the Borrower shall deliver a Credit Request to the Administrative Agent (i) in the case of a Eurodollar Borrowing, not later than 12:30 p.m. three Business Days before the date of the proposed Borrowing or (ii) in the case of an ABR Borrowing, not later than 12:30 p.m. on the date of the proposed Borrowing. Each such Credit Request shall be irrevocable (except as otherwise provided in Section 3.4) and shall specify the following information in compliance with Section 2.2:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.4.

(b) If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Credit Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.4. Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 p.m. to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. Subject to Section 5.2, the Administrative Agent will make such Loans available to the Borrower by promptly crediting or otherwise transferring the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Credit Request, provided that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.9(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or purchase of participations pursuant to Section 2.9(e)) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing (or the amount of its participation), the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.4(a) or Section 2.9(e) and may, in reliance upon such assumption, make available to the Borrower or the applicable Issuing Bank, as applicable, a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower (and, if applicable, the applicable Issuing Bank) severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower or such Issuing Bank, as applicable, to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender or an Issuing Bank, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate that would be otherwise applicable to such Borrowing (or such participating interest). Any payment by the Borrower or an Issuing Bank, however, shall be without prejudice to its rights against the applicable Lender. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing (or participation in the applicable LC Disbursement).

Section 2.5. Termination, Reduction and Increase of Commitments.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments, provided that (i) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment or repayment of the Loans in accordance with Section 2.7, the sum of the Credit Exposures would exceed the total Commitments and (ii) each such reduction of the Commitments shall be in the amount of $5,000,000 or a higher integral multiple of $1,000,000.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable, provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Each reduction, and any termination, of the Commitments shall be permanent and each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) The Borrower may at any time and from time to time prior to the Maturity Date, at its sole cost, expense and effort, request any one or more of the Lenders to increase its Commitment (the decision to increase the Commitment of a Lender to be within the sole and absolute discretion of such Lender), or any other Person reasonably satisfactory to the Administrative Agent and the Issuing Banks to provide a new Commitment, by submitting to the Administrative Agent and the Issuing Banks an Increase Supplement duly executed by the Borrower and each such Lender or other Person, as the case may be, together with such other documentation and deliveries as the Administrative Agent shall reasonably require (which may include copies of resolutions authorizing such increase and/or opinion of counsel). If such Increase Supplement is in all respects reasonably satisfactory to the Administrative Agent and the Issuing Banks, the Administrative Agent shall execute such Increase Supplement and the Administrative Agent shall deliver a copy thereof to the Borrower and each such Lender or other Person, as the case may be. Upon execution and delivery of such Increase Supplement by the Administrative Agent and the Issuing Banks, (i) in the case of each such Lender (an "Increasing Lender"), its Commitment shall be increased to the amount set forth in such Increase Supplement, (ii) in the case of each such other Person (a "New Lender"), such New Lender shall become a party hereto and have the rights and obligations of a Lender under the Loan Documents and its Commitment shall be as set forth in such Increase Supplement; provided that:

(A) immediately after giving effect thereto, the sum of all increases (other than any increase in any Lender's Commitment in order to replace another Lender pursuant to Section 3.8(b)) in the aggregate Commitments made pursuant to this Section 2.5(d) shall not exceed the sum of (x) $150,000,000 plus (y) the amount of the Commitment of each Lender that becomes a Defaulting Lender;

(B) each such increase of the aggregate Commitments shall be in an amount not less than $10,000,000 or a higher integral multiple of $5,000,000;

(C) if Loans would be outstanding immediately after giving effect to any such increase, then simultaneously with such increase (1) each such Increasing Lender, each New Lender and each other Lender shall be deemed to have entered into an Assignment and Assumption, pursuant to which each such other Lender shall have assigned to each such Increasing Lender and each such New Lender a portion of its Commitment, Loans and LC Exposure necessary to reflect proportionately the Commitments as adjusted in accordance with this paragraph (d), and (2) in connection with such assignment, each such Increasing Lender and each such New Lender shall pay to the Administrative Agent, for the account of each such other Lender, such amount as shall be necessary to reflect the assignment to it of Loans, and in connection with such master assignment each such other Lender may treat the assignment of Eurodollar Borrowings as a prepayment of such Eurodollar Borrowings for purposes of Section 3.6;

(D) each such other Person shall have delivered to the Administrative Agent and the Borrower all forms, if any, that are required to be delivered by such other Person pursuant to Section 3.7; and

(E) the Borrower shall have delivered to the Administrative Agent sufficient copies for each Lender of a certificate of a Financial Officer demonstrating pro forma compliance with the terms of this Agreement through the Maturity Date and the Administrative Agent shall have received such certificates and other items as it shall reasonably request in connection with such increase.

Section 2.6. Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the debt of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period, if any, applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that its Loans be evidenced by a Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Note payable to the order of such Lender. Thereafter, the Loans evidenced by such Note and interest thereon shall at all times (including after any assignment pursuant to Section 10.4) be represented by a Note payable to the order of the payee named therein or any Eligible Assignee pursuant to Section 10.4, except to the extent that any such Lender or Eligible Assignee subsequently returns any such Note for cancellation and requests that such Loans once again be evidenced as described in paragraphs (b) and (c) above.

Section 2.7. Prepayment of Loans.

(a) Voluntary Prepayments. The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section.

(b) Prepayments Resulting from the Reduction of the Total Commitments. In the event of any partial reduction or termination of the Commitments, then (i) at or prior to the date of such reduction or termination, the Administrative Agent shall notify the Borrower and the Lenders of the sum of the Credit Exposures after giving effect thereto and (ii) if such sum would exceed the total Commitments after giving effect to such reduction or termination, then the Borrower shall, on the date of such reduction or termination, prepay Borrowings in an amount sufficient to eliminate such excess.

(c) Notice of Prepayment; Application of Prepayments. The Borrower shall notify the Administrative Agent by telephone (confirmed by facsimile) of any prepayment hereunder, (i) in the case of a prepayment of a Eurodollar Borrowing, not later than 11:30 a.m. three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:30 a.m. on the date of the prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid, provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.5, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.5. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an integral multiple of $1,000,000 and not less than $5,000,000 (or, if the outstanding principal balance of the applicable Borrowing is less than such minimum amount, then such lesser outstanding principal balance); provided that if, as a result of any ABR Borrowing to reimburse an LC Disbursement pursuant to Section 2.9(e), the aggregate principal amount of all ABR Borrowings is not an integral multiple of $1,000,000, then any prepayment of ABR Borrowings shall be in an amount that will cause the aggregate principal amount of all ABR Borrowings to be an integral multiple of $1,000,000. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.1 and, if applicable, shall be subject to the provisions of Section 3.6. Notwithstanding any provision of this Section 2.7(c) to the contrary, if any Lender becomes a Defaulting Lender, then the provisions of Section 2.11 shall apply for so long as such Lender is a Defaulting Lender.

Section 2.8. Extension of Maturity Date.

After the first anniversary of the Effective Date, the Borrower may, on two occasions during the term of this Agreement (but not more frequently than once in any consecutive twelve- month period), request an extension of the Maturity Date for an additional one-year period by submitting a request for extension (an "Extension Request") to the Administrative Agent (which shall promptly advise each Lender) not more than 75 days or less than 30 days prior to the effective date of the proposed extension (the "Extension Effective Date"). In response to such request, each Lender shall, not later than 20 days prior to the applicable Extension Effective Date, notify the Administrative Agent whether it is willing (in its sole and complete discretion) to extend the scheduled Maturity Date for an additional one-year period (and any Lender that fails to give such notice to the Administrative Agent shall be deemed to have elected not to extend the scheduled Maturity Date). The Administrative Agent will notify the Borrower of the Lenders' decisions no later than 15 days prior to such Extension Effective Date. If Lenders holding more than 50% of the Commitments elect to extend the scheduled Maturity Date, then on such Extension Effective Date the Commitments of such Lenders shall be extended for an additional one-year period; provided that (i) no Default exists on such Extension Effective Date and (ii) all representations and warranties are true and correct on such Extension Effective Date, as though made as of such Extension Effective Date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date). No Lender shall be required to consent to any Extension Request and any Lender that elects, or is deemed to have elected, not to extend the scheduled Maturity Date (a "Declining Lender") will have its Commitment terminated on the then existing scheduled Maturity Date (without regard to any extension by other Lenders). The Borrower may, at its sole expense and effort, upon notice to any Declining Lender and the Administrative Agent, require any Declining Lender to assign and delegate its rights and obligations under this Agreement to an Eligible Assignee selected by the Borrower and willing to accept such assignment (in accordance with, and subject to, the restrictions and consents otherwise required for assignments generally).

Section 2.9. Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit denominated in dollars as the applicant thereof for the support of its or its Subsidiaries' obligations, in a form acceptable to the Administrative Agent and the applicable Issuing Bank, at any time and from time to time during the period from the Effective Date to the tenth Business Day preceding the last day of the Availability Period; provided that (i) the aggregate amount of the Credit Exposure of all Lenders shall not exceed the total Commitments and (ii) the aggregate amount of all LC Exposure shall not at any time exceed $60,000,000. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, an Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. As of the Effective Date, all Existing Letters of Credit shall be deemed to have been issued hereunder and shall be subject to and governed by the terms and conditions hereof.

(b) Notice of Issuance; Amendment; Renewal; Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or facsimile (or transmit by electronic communication, pursuant to arrangements for doing so approved by the applicable Issuing Bank) to the applicable Issuing Bank and the Administrative Agent (not later than three Business Days before the requested date of issuance, amendment, renewal or extension) a Credit Request requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by an Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and, upon issuance, amendment, renewal or extension of each Letter of Credit, the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (i) (x) the aggregate undrawn amount of all outstanding Letters of Credit issued by the Issuing Bank at such time plus (y) the aggregate amount of all LC Disbursements made by the Issuing Bank that have not yet been reimbursed by or on behalf of the Borrower at such time shall not exceed its Letter of Credit

Commitment, (ii) the LC Exposure shall not exceed the total Letter of Credit Commitments, (iii) the total Credit Exposures shall not exceed the total Commitments. The Borrower may, at any time and from time to time, reduce the Letter of Credit Commitment of any Issuing Bank with the consent of such Issuing Bank; provided that the Borrower shall not reduce the Letter of Credit Commitment of any Issuing Bank if, after giving effect of such reduction, the conditions set forth in clauses (i) and (ii) above shall not be satisfied.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date that is one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension), and (ii) the date that is ten Business Days prior to the Maturity Date, provided that any Letter of Credit may provide for the automatic renewal thereof for any period (unless the applicable Issuing Bank elects not to extend) so long as such period ends (x) at least ten Business Days prior to the Maturity Date or (y) if the Borrower shall have deposited cash collateral with the Administrative Agent to the extent required by Section 2.9(j) for such Letter of Credit, not later than the first anniversary of the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each such Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of such Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each such Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If any Issuing Bank shall make an LC Disbursement in respect of a Letter of Credit, then such Issuing Bank shall promptly notify the Borrower of such LC Disbursement and the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent, for the account of such Issuing Bank, an amount equal to such LC Disbursement and any accrued interest thereon (collectively, the "Unreimbursed Amount") by not later than (i) if the Borrower shall have received notice of such LC Disbursement prior to 11:00 a.m. on such date, 2:00 p.m. on such date, or (ii) otherwise, 2:00 p.m. on the Business Day immediately following the day that the Borrower receives such notice. If the Borrower fails to reimburse an Issuing Bank in full for an LC Disbursement prior to the time required pursuant to the preceding sentence, then such Issuing Bank may (and the Borrower authorizes such Issuing Bank to) request, on behalf of the Borrower by notice to the Administrative Agent (which shall promptly advise each Lender), that the Lenders fund an ABR Borrowing in an amount equal to the Unreimbursed Amount, without regard to the minimum and integral multiple requirements in Section 2.2(c), and each Lender shall make its Loan as part of such ABR Borrowing (by wire transfer of immediately available funds to the account most recently designated by the Administrative Agent for such purpose by notice to the Lenders) not later than (x) if such Lender shall have received notice of such Borrowing from the Administrative Agent prior to 12:00 noon on such date, 2:00 p.m. on such date or (y) otherwise, 2:00 p.m. on the Business Day immediately following the day that such Lender receives such notice; provided that if the conditions precedent to a Borrowing specified in Section 5.2 are not satisfied, then the request by the Issuing Bank shall be deemed to be a request for the funding of the Lenders' participations in such Unreimbursed Amount and the amounts made available by the Lenders to the Administrative Agent as provided above shall constitute the Lenders' funding of their respective participations in such Unreimbursed Amount. The Administrative Agent will make the proceeds of such Loans or participations, as applicable, available to the applicable Issuing Bank by promptly crediting or otherwise transferring the amounts so received, in like funds, to such Issuing Bank for the purpose of repaying in full the LC Disbursement and all accrued interest thereon. Any Lender that fails to make the proceeds of its Loan or its participation available to the Administrative Agent in accordance with the provisions of this Section 2.9(e) shall pay interest thereon, for the account of the applicable Issuing Bank, for each day from and including the date such amount is due to but excluding the date such amount is received by the Administrative

Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(f) Obligations Absolute. The Borrower's obligations to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or any Loan Document, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, insufficient or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, (iv) any amendment or waiver of or any consent to departure from all or any of the provisions of any Letter of Credit or any Loan Document, (v) the existence of any claim, set-off, defense or other right that the Borrower, any other party guaranteeing, or otherwise obligated with, such Borrower, any Subsidiary or other Affiliate thereof or any other Person may at any time have against the beneficiary under any Letter of Credit, any Credit Party or any other Person, whether in connection with this Agreement, any other Loan Document or any other related or unrelated agreement or transaction, or (vi) any other act or omission to act or delay of any kind of any Credit Party or any other Person or any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of set-off against, the Borrower's obligations hereunder. Neither any Credit Party nor any of their respective Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of any Issuing Bank; provided that the foregoing shall not be construed to excuse an Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by any Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of any Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, any Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. Each Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Each Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy or electronic mail) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the applicable Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If any Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 3.1(b) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the applicable Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement and Resignation of an Issuing Bank. (i) An Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 3.3(b). From and after the effective date of any such replacement, (x) the successor Issuing Bank shall have all the rights and obligations of Issuing Banks under this Agreement with respect to Letters of Credit to be issued thereafter and (y) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Banks, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(ii) Subject to the appointment and acceptance of a successor Issuing Bank, any Issuing Bank may resign as an Issuing Bank at any time upon 30 days' prior written notice to the Administrative Agent, the Borrower and the Lenders, in which case, such resigning Issuing Bank shall be replaced in accordance with Section 2.9(i) above.

(j) Cash Collateral. In the event that (i) an Event of Default shall occur and be continuing or (ii) any Letter of Credit has an expiry date on or after the tenth Business Day prior to the Maturity Date (or any LC Disbursements remain unreimbursed on or after such date), the Borrower shall deposit with the Administrative Agent in immediately available funds on the Business Day on which it receives notice from the Administrative Agent or Required Lenders demanding the deposit of cash collateral in the case of clause (i), or no later than the tenth Business Day prior to the Maturity Date in the case of clause (ii), an amount equal to the Required Deposit Amount, which amount shall be held by the Administrative Agent for the benefit of the Lenders as cash collateral pursuant to a cash collateral agreement in form and substance satisfactory to the Administrative Agent and the applicable Issuing Banks to secure the Borrower's reimbursement obligations with respect to LC Disbursements; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default described in paragraph (i) or (j) of Article 8. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Such deposit shall not bear interest, nor shall the Administrative Agent be under any obligation whatsoever to invest the same, provided that, at the request of the Borrower, such deposit shall be invested by the Administrative Agent in direct short term obligations of, or short term obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in each case maturing no later than the expiry date of the Letter of Credit giving rise to the relevant LC Exposure. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the applicable Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Required Lenders), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived. If the Borrower is required to provide cash collateral hereunder as a result of clause (ii) of the first sentence of this paragraph, the amount thereof (to the extent not applied as aforesaid) shall be returned to the Borrower when the LC Exposure is zero and all applicable Letters of Credit shall have been returned to the applicable Issuing Banks and shall have been cancelled.

(k) Notwithstanding any provision of this Section 2.9 to the contrary, if any Lender becomes a Defaulting Lender, then the provisions of Section 2.11 shall apply for so long as such Lender is a Defaulting Lender.

Section 2.10. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal of Loans, LC Disbursements, interest or fees, or of amounts payable under Sections 3.5, 3.6, 3.7 or 10.3, or otherwise) prior to 1:00 p.m. on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its office at 10 S. Dearborn, Chicago, Illinois, or such other office as to which the Administrative Agent may notify the other parties hereto, except that payments pursuant to Sections 3.3(b) (with respect to the fronting fee and other amounts payable to the Issuing Banks), 3.3(c), 3.5, 3.6, 3.7 and 10.3 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) Each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of fees, each reduction of the Commitments and each conversion of any Borrowing to or continuation of any Borrowing as a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective applicable Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole dollar amount. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal of Loans, unreimbursed LC Disbursements, interest, fees and commissions then due hereunder, such funds shall be applied (i) first, towards payment of interest, fees and commissions then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and commissions then due to such parties and (ii) second, towards payment of principal of Loans and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal of Loans and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of, or interest on, any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of, and accrued interest on, their respective Loans and participations in LC Disbursements, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the applicable Credit Parties hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to such Credit Parties the amount due. In such event, if the Borrower has not in fact made such payment, then each such Credit Party severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Credit Party with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Credit Party shall fail to make any payment required to be made by it pursuant to Section 2.4(b) or 2.10(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Credit Party to satisfy such Credit Party's obligations under such Sections until all such unsatisfied obligations are fully paid and (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender under such Sections; in the case of each of (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion. Notwithstanding any provision of this Section 2.10 to the contrary, if any Lender becomes a Defaulting Lender, then the provisions of Section 2.11 shall apply for so long as such Lender is a Defaulting Lender.

Section 2.11. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Fees pursuant to Section 3.3(a) shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender.

(b) If any LC Exposure exists at the time a Lender becomes a Defaulting Lender then:

(i) All or any part of such LC Exposure shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent (x) the sum of all non-Defaulting Lenders' Credit Exposures plus such Defaulting Lender's LC Exposure does not exceed the total of all non-Defaulting Lenders' Commitments and (y) the conditions set forth in Section 5.2 are satisfied at such time;

(ii) If the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within two Business Days following notice by the Administrative Agent cash collateralize such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.9(j) for so long as such LC Exposure is outstanding;

(iii) If the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to this Section 2.11(b), the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 3.3(b) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) If the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to this Section 2.11(b), then the fees payable to the Lenders pursuant to Sections 3.3(a) and 3.3(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages;

(v) If any Defaulting Lender's LC Exposure is neither cash collateralized nor reallocated pursuant to this Section 2.11(b), then, without prejudice to any rights or remedies of the Issuing Banks or any Lender hereunder, all letter of credit fees payable under Section 3.3(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the applicable Issuing Banks until such LC Exposure is cash collateralized and/or reallocated; and

(vi) If and so long as any Lender is a Defaulting Lender, no Issuing Bank shall be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the non-Defaulting Lenders or cash collateral will be provided by the Borrower in accordance with this Section 2.11(b), and participating interests in any such newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.11(b)(i) (and Defaulting Lenders shall not participate therein).

(c) The Commitments and Credit Exposure of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have voted or taken or may take any action hereunder (including any consent to any amendment, modification or waiver pursuant to Section 10.2); provided that (i) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender and (ii) any amendment or modification that increases, or extends the maturity of, such Defaulting Lender's Commitment or reduces the principal amount of, or rate of interest on, any Loan made by such Defaulting Lender, shall require the consent of such Defaulting Lender.

(d) In the event that the Administrative Agent, the Borrower and each Issuing Bank agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitments and on such date such Lender shall purchase at par such of the Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage, and all cash collateral and accrued interest thereon held by the Administrative Agent or the applicable Issuing Banks shall be returned to the Borrower forthwith.

Article 3.

INTEREST, FEES, YIELD PROTECTION, ETC.

Section 3.1. Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Margin. The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin.

(b) Notwithstanding the foregoing, if any principal of or interest on any Loan, any reimbursement obligation in respect of any LC Disbursement or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraph of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Borrowings as provided in the preceding paragraph of this Section.

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan, provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent clearly demonstrable error. The Administrative Agent shall, as soon as practicable, notify the Borrower and the Lenders of the effective date and the amount of each change in the Prime Rate or ABR, but any failure to so notify shall not in any manner affect the obligation of the Borrower to pay interest on the Loans in the amounts and on the dates required.

Section 3.2. Interest Elections Relating to Borrowings.

(a) Each Borrowing initially shall be of the Type specified in the applicable Credit Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Credit Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall deliver to the Administrative Agent a signed Interest Election Request in a form approved by the Administrative Agent by the time that a Credit Request would be required under Section 2.3 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election.

(c) Each such Interest Election Request shall be irrevocable (except as otherwise provided in Section 3.4) and shall specify the following information:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period, such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing, (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 3.3. Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender, a facility fee, which shall accrue at a rate per annum equal to the Applicable Margin on the daily amount of the Commitment of such Lender (regardless of usage) during the period from and including the date on which this Agreement becomes effective pursuant to Section 10.6 to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Credit Exposure from and including the date on which such Lender's Commitment terminates to but excluding the date on which such Lender ceases to have any Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year, each date on which the Commitments are permanently reduced and on the date on which the Commitments terminate, commencing on the first such date to occur after the Effective Date, provided that all unpaid facility fees shall be payable on the date on which the Commitments terminate and provided further that facility fees which accrue after the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at a rate per annum equal to the Applicable Margin on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure and (ii) to each Issuing Bank for its own account a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Borrower and each Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as each Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Accrued participation fees and fronting fees shall be payable in arrears on the last day of March, June, September and December of each year, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to any Issuing Bank pursuant to this paragraph shall be payable within ten days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to each Credit Party, for its own account, fees and other amounts payable in the amounts and at the times separately agreed upon in writing between the Borrower and such Credit Party.

(d) All fees and other amounts payable hereunder shall be paid on the dates due, in immediately available funds. Fees and other amounts paid shall not be refundable under any circumstances other than clearly demonstrable error.

Section 3.4. Alternate Rate of Interest.

(a) If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable (including because the LIBO Screen Rate is not available or published on a current basis), for such Interest Period, or

(ii) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone, telecopy or electronic mail as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Credit Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing. Notwithstanding the foregoing, if the Borrower shall have submitted a Credit Request with respect to a Eurodollar Borrowing and the Administrative Agent shall have notified the Borrower in accordance with the preceding sentence that such Borrowing will be made as an ABR Borrowing, the Borrower shall have the right, prior to the time by which it would have had to submit a Credit Request for an ABR Borrowing to be made on the same date, to withdraw such Credit Request.

(b) If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (a)(i) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (a)(i) have not arisen but either (w) the supervisor for the administrator of the LIBO Screen Rate has made a public statement that the administrator of the LIBO Screen Rate is insolvent (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (x) the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (y) the supervisor for the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the LIBO Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBO Screen Rate may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the LIBO Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 10.2, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment and describing in detail the basis for such objection. Until an alternate rate of interest shall be determined in accordance with this paragraph (b) (but, in the case of the circumstances described in clause (ii)(w), clause (ii)(x) or clause (ii)(y) of the first sentence of this Section 3.4(b), only to the extent the LIBO Screen Rate for such Interest Period is not available or published at such time on a current basis), (y) any Interest Election Request that requests the conversion of any ABR Borrowing to, or continuation of any Eurodollar Borrowing as, a Eurodollar Borrowing shall be ineffective and (z) if any Credit Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 3.5. Increased Costs; Illegality.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Credit Party (except any such reserve requirement reflected in the Adjusted LIBO Rate);

(ii) subject any Recipient to any Taxes with respect to this Agreement or on its Loans, loan principal, Letters of Credit, Commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto in respect thereof (other than (A) Indemnified Taxes and (B) Excluded Taxes); or

(iii) impose on any Credit Party or the London interbank market any other condition affecting this Agreement, any Eurodollar Loans made by such Credit Party or any participation therein or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Credit Party of making, continuing, converting or maintaining any Eurodollar Loan or the cost to such Credit Party of issuing, participating in or maintaining any Letter of Credit hereunder or to increase the cost to such Credit Party or to reduce the amount of any sum received or receivable by such Credit Party hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party for such additional costs incurred or reduction suffered.

(b) If any Credit Party determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Credit Party's capital or on the capital of such Credit Party's holding company, if any, as a consequence of this Agreement or the Loans made, the Letters of Credit issued or the participations therein held, by such Credit Party to a level below that which such Credit Party or such Credit Party's holding company could have achieved but for such Change in Law (taking into consideration such Credit Party's policies and the policies of such Credit Party's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party or such Credit Party's holding company for any such reduction suffered.

(c) A certificate of a Credit Party setting forth the amount or amounts necessary to compensate such Credit Party or its holding company, as applicable, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive and binding upon all parties hereto absent manifest error. The Borrower shall pay such Credit Party the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(d) Failure or delay on the part of any Credit Party to demand compensation pursuant to this Section shall not constitute a waiver of such Credit Party's right to demand such compensation; provided that the Borrower shall not be required to compensate a Credit Party pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Credit Party notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Credit Party's intention to claim compensation therefor; and provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180 day period referred to above shall be extended to include the period of retroactive effect thereof but not to exceed a period of 365 days.

(e) Notwithstanding any other provision of this Agreement, if any Change in Law shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods) and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans, whereupon any request for a Eurodollar Borrowing or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing, as applicable, for an additional Interest Period shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as applicable), unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans, as of the effective date of such notice as provided in the last sentence of this paragraph.

In the event any Lender shall exercise its rights under clause (i) or (ii) of this paragraph, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans, as applicable. For purposes of this paragraph, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

Section 3.6. Break Funding Payments. In the event of (a) the payment or prepayment (voluntary or otherwise) of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.7(c) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period or maturity date applicable thereto as a result of a request by the Borrower pursuant to Section 3.8, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

Section 3.7. Withholding of Taxes; Gross-Up.

(a) Payments to be Free and Clear. Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for, Other Taxes.

(c) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within 10 Business Days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 10.4(d) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to setoff and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.7(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), an executed copy of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

1. in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, an executed copy of IRS Form W-8BEN-E or IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN-E or IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

2. in the case of a Foreign Lender claiming that its extension of credit will generate U.S. effectively connected income, an executed copy of IRS Form W-8ECI;

3. in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form

of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(h)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) an executed copy of IRS Form W-8BEN-E or IRS Form W-8BEN; or

4. to the extent a Foreign Lender is not the beneficial owner, an executed copy of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, IRS Form W-8BEN, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit F-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Survival. Each party's obligations under this Section shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(i) Defined Terms. For purposes of this Section, the term "Lender" includes any Issuing Bank and the term "applicable law" includes FATCA.

Section 3.8. Mitigation Obligations.

(a) Designation of a Different Lending Office. In the event that the Borrower becomes obligated to pay additional amounts to any Lender (or to any Governmental Authority for the account of any Lender) pursuant to Section 3.5, Section 3.6 or Section 3.7, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.5, Section 3.6 or Section 3.7, as the case may be, in the future, and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. In the event that (i) the Borrower becomes obligated to pay additional amounts to any Lender (or to any Governmental Authority for the account of any Lender) pursuant to Section 3.5, Section 3.6 or Section 3.7, (ii) any Lender becomes a Defaulting Lender, or (iii) if any Lender has failed to consent to a proposed amendment, waiver, discharge or termination that under Section 10.2 requires the consent of all the Lenders and with respect to which the Required Lenders shall have granted their consent, then the Borrower may, at its sole cost and expense, within 60 days of the demand by such Lender for such additional amounts or the relevant default or action or inaction by such Lender, as the case may be, and subject to and in accordance with the provisions of Section 10.4 (with the Borrower obligated to pay any applicable processing and recordation fee), designate an Eligible Assignee (acceptable to the Administrative Agent and the Issuing Banks) to purchase and assume all of such Lender's interests, rights and obligations under the Loan Documents, without recourse to or warranty by or expense to, such Lender, for a purchase price equal to the outstanding principal amount of such Lender's Loans plus any accrued but unpaid interest thereon and accrued but unpaid facility fees and letter of credit fees in respect of such Lender's Commitment and any other amounts payable to such Lender hereunder, and to assume all the obligations of such Lender hereunder, and, upon such purchase, such Lender shall no longer be a party hereto or have any rights hereunder (except those that survive full repayment hereunder) and shall be relieved from all obligations to the Borrower hereunder, and the Eligible Assignee shall succeed to the rights and obligations of such Lender hereunder. No replacement of a Defaulting Lender pursuant to this Section 3.8 shall be deemed to be a waiver of any right that the Borrower, the Administrative Agent, the Issuing Banks or any other Lender may have against such Defaulting Lender. The Borrower shall execute and deliver to such Eligible Assignee a Note. Notwithstanding anything herein to the contrary, in the event that a Lender is replaced pursuant to this Section 3.8 as a result of the Borrower becoming obligated to pay additional amounts to such Lender (or to any Governmental Authority for the account of any Lender) pursuant to Section 3.5, Section 3.6 or Section 3.7, such Lender shall be entitled to receive such additional amounts as if it had not been so replaced, except as otherwise provided in Section 2.11 if such Lender becomes a Defaulting Lender.

Section 3.9. EEA Financial Institutions. The Borrower is not an EEA Financial Institution.

Section 3.10. Plan Assets; Prohibited Transactions. None of the Borrower or any of its Subsidiaries is an entity deemed to hold "plan assets" (within the meaning of the Plan Asset Regulations), and neither the execution, delivery nor performance of the transactions contemplated under this Agreement, including the making of any Loan and the issuance of any Letter of Credit hereunder, will give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Article 4.

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Credit Parties that:

Section 4.1. Organization; Powers. Each of the Borrower and each Subsidiary is duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its organization or formation, has all requisite corporate power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Section 4.2. Authorization; Enforceability. The Transactions are within the corporate powers of the Borrower and have been duly authorized by all necessary corporate and, if required, equity holder action. Each Loan Document has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation thereof, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general principles of equity.

Section 4.3. Governmental Approvals; No Conflicts.

(a) The execution, delivery and performance by the Borrower of the Loan Documents and the borrowing of the Loans and the issuance of the Letters of Credit do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for (i) information filings to be made in the ordinary course of business, which filings are not a condition to the Borrower's performance under the Loan Documents and (ii) such as have been obtained or made and are in full force and effect and not subject to any appeals period.

(b) The Transactions will not (i) violate the charter, by-laws or other organizational documents of the Borrower, (ii) violate any applicable law or regulation or any order of any Governmental Authority, (iii) violate or result in a default under any material indenture, agreement or other instrument binding upon the Borrower or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower, and (iv) result in or require the creation or imposition of any Lien on any asset of the Borrower.

Section 4.4. Financial Condition; No Material Adverse Change.

(a) The Borrower has previously delivered to the Credit Parties copies of (i) its Form 10-K for the fiscal year ended December 31, 2017, containing the audited consolidated balance sheet of the Borrower and its Subsidiaries and the related audited consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the fiscal year ending December 31, 2017 (including with the applicable related notes and schedules, the "Borrower Financial Statements"), and (ii) the unaudited consolidated balance sheet of the Borrower and its Subsidiaries and the related unaudited consolidated statements of income, equity and cash flows for the fiscal quarter ended September 30, 2018. All such financial statements have been prepared in accordance with GAAP and fairly present in all material respects the consolidated financial condition and results of the operations of the Borrower and its Subsidiaries as of the dates and for the periods indicated therein (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal, year end audit adjustments).

(b) Since December 31, 2017, there has been no Material Adverse Change.

Section 4.5. Litigation. There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened in writing against or affecting the Borrower or any Subsidiary that (a) if adversely determined (and provided that there exists a reasonable possibility of such adverse determination), would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, except for any Disclosed Matters, and except that the commencement by the Borrower, any Subsidiary or any Governmental Authority of a rate proceeding, fuel adjustment clause audit or earnings review before such Governmental Authority shall not constitute such a pending or threatened action, suit or proceeding unless and until such Governmental Authority has made a final determination thereunder that would reasonably be expected to have a Material Adverse Effect, or (b) involve any Loan Document or the Transactions.

Section 4.6. Environmental Matters. Except for the Disclosed Matters, the Borrower and its Subsidiaries (a) are in compliance with Environmental Law, (b) have received all permits, licenses or other approvals required of them under applicable Environmental Law to conduct their respective businesses and (c) are in compliance with all terms and conditions of any such permit, license, or approval, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

Section 4.7. Investment Company Status. Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" as defined in, or is otherwise subject to regulation under, the Investment Company Act of 1940.

Section 4.8. ERISA. Each of the Borrower and each of its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder except for any such failure that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, would reasonably be expected to result in a Material Adverse Effect.

Section 4.9. Disclosure.

(a) None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrower or any Subsidiary to any Credit Party in connection with the negotiation of, or delivered under any Loan Document when taken as a whole (as modified or supplemented by other information so furnished, including the information contained in the Borrower's most recent annual report on Form 10-K and in the Borrower's reports filed with the SEC under the Securities Exchange Act of 1934 subsequent to the filing of the Form 10-K) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading, provided that, to the extent any such reports, financial statements, certificates or other information was based upon or constitutes a forecast or a projection (including statements concerning future financial performance, ongoing business strategies or prospects or possible future actions, and other forward-looking statements), the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

(b) As of the Effective Date, to the best knowledge of the Borrower, the information included in the Beneficial Ownership Certification provided on or prior to the Effective Date to any Lender in connection with this Agreement is true and correct in all respects.

Section 4.10. Subsidiaries. As of the date hereof, the Borrower has only the Subsidiaries set forth on Schedule 4.10. Schedule 4.10 sets forth with respect to each Subsidiary, the identity of each Person that owns Equity Interests in such Subsidiary and the percentage of the issued and outstanding Equity Interests owned by each such Person. The shares of each Subsidiary (excluding any Immaterial Subsidiary) are duly authorized, validly issued, fully paid and non assessable and are owned free and clear of any Liens, other than Liens permitted pursuant to Section 7.1.

Section 4.11. Use of Proceeds; Federal Reserve Regulations.

(a) The proceeds of the Loans and the Letters of Credit will be used for general corporate purposes not inconsistent with the terms hereof, including liquidity support for the Borrower's commercial paper program.

(b) Neither the Borrower nor any Subsidiary is engaged principally, or as one of their important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. Immediately before and after giving effect to the making of each Loan and the issuance of each Letter of Credit, Margin Stock will constitute less than 25% of the Borrower's assets as determined in accordance with Regulation U.

(c) No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase, acquire or carry any Margin Stock (other than any purchase of Equity Interests in the Borrower so long as such Equity Interests are retired immediately upon the purchase thereof) or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X or (ii) to fund a personal loan to or for the benefit of a director or executive officer of the Borrower or any Subsidiary.

Section 4.12. Anti-Money Laundering and Anti-Terrorism Finance Laws. The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws. To the extent applicable, Borrower is in compliance, in all material respects, with Anti-Corruption Laws, anti-money laundering laws and anti-terrorism finance laws including the Bank Secrecy Act and the PATRIOT Act (the "Anti-Terrorism Laws").

Section 4.13. Foreign Corrupt Practices Act. No part of the proceeds of the Loans or Letters of Credit shall be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977.

Section 4.14. Sanctions Laws. Neither the Borrower nor, to the knowledge of the Borrower, any Affiliate or broker or other agent of the Borrower acting or benefiting in any capacity in connection with the Loans or Letters of Credit, is any of the following (a "Restricted Person"): (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001; (ii) a Person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list or similarly named by any similar foreign governmental authority; (iii) an agency of the government of a country, an organization controlled by a country, or a Person resident in a country that is subject to a sanctions program identified on the lists maintained by OFAC; or (iv) a Person that derives more than 10% of its assets or operating income from investments in or transactions with any such country, agency, organization or person. Further, none of the proceeds from the Loans or Letters of Credit shall be used to finance any operations, investments or activities in, or make any payments to, any such country, agency, organization or Person subject to OFAC sanctions.

Article 5.

CONDITIONS

Section 5.1. Effectiveness. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder are subject to the satisfaction (or waiver in accordance with Section 10.2) of the following conditions precedent:

(a) Credit Agreement. The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) Notes. The Administrative Agent shall have received any Note requested by a Lender pursuant to Section 2.6(e) payable to the order of such requesting Lender.

(c) Legal Opinions. The Administrative Agent shall have received favorable written opinions (addressed to the Credit Parties and dated on or prior to the Effective Date) from Bethany M. Owen, Senior Vice President, Chief Legal and Administrative Officer and Secretary of the Borrower, and Cohen Tauber Spievack & Wagner P.C., special counsel to the Borrower, covering such matters relating to the Borrower, the Loan Documents and the Transactions as the Required Lenders may reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(d) Organizational Documents, etc. The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to (i) the organization, existence and good standing of the Borrower (including (x) a certificate of incorporation of the Borrower, certified as of a recent date by the Secretary of State of the jurisdiction of its incorporation, and (y) certificates of good standing (or comparable certificates) for the Borrower, certified as of a recent date prior to the Effective Date, by the Secretaries of State (or comparable official) of the jurisdiction of its incorporation and each other jurisdiction in which it is qualified to do business, (ii) the authorization of the Transactions, (iii) the incumbency of its officer or officers who may sign the Loan Documents, including therein a signature specimen of such officer or officers, and (iv) any other legal matters relating to the Borrower, the Loan Documents or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(e) Fees etc. The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) Officer's Certificate. The Administrative Agent shall have received a certificate, in form and substance satisfactory to the Administrative Agent, dated on or prior to the Effective Date and signed by the chief executive officer or the chief financial officer of the Borrower (or other Financial Officer acceptable to the Administrative Agent), confirming that (i) the representations and warranties of the Borrower set forth in this Agreement are true and correct and (ii) no Default exists.

(g) No Material Adverse Change. The Administrative Agent shall have received a certificate of a Financial Officer, in form and substance satisfactory to the Administrative Agent, dated the Effective Date, to the effect that since December 31, 2017, no Material Adverse Change has occurred, except as has been previously disclosed by the Borrower in documents filed with the SEC prior to the Effective Date.

(h) KYC. (i) The Administrative Agent shall have received, at least five days prior to the Effective Date, all documentation and other information regarding the Borrower requested in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act, to the extent requested in writing of the Borrower at least 10 days prior to the Effective Date and (ii) to the extent the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, at least five days prior to the Effective Date, any Lender that has requested, in a written notice to the Borrower at least 10 days prior to the Effective Date, a Beneficial Ownership Certification in relation to the Borrower shall have received such Beneficial Ownership Certification (provided that, upon the execution and delivery by such Lender of its signature page to this Agreement, the condition set forth in this clause (ii) shall be deemed to be satisfied).

(i) Approvals. All governmental and third party approvals necessary or, in the discretion of the Administrative Agent, advisable in connection with the financing and the continuing operations of the Borrower and its subsidiaries shall have been obtained and be in full force.

(j) Miscellaneous. Such other documents as any Lender or its counsel may have reasonably requested.

The Administrative Agent shall notify the Borrower and the Credit Parties when the conditions set forth above have been satisfied or waived, and such notice shall be conclusive and binding.

Section 5.2. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Banks to issue, increase, amend, renew or extend a Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in the Loan Documents (other than the representations and warranties in Section 4.4(b), Section 4.5 and Section 4.6 of this Agreement) shall be true and correct on and as of the date of such Borrowing or the date of such issuance, increase, amendment, renewal or extension, as applicable, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct on and as of such earlier date.

(b) At the time of and immediately after giving effect to such Borrowing or such issuance, increase, amendment, renewal or extension, as applicable, no Default shall have occurred and be continuing.

(c) The Administrative Agent shall have received a Credit Request and such other documentation and assurances as shall be reasonably required by it in connection herewith.

(d) Such Loan or Letter of Credit shall not be prohibited by any applicable law, rule or regulation.

Each Borrowing and each issuance, increase, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

Article 6.

AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees and other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed, the Borrower covenants and agrees with the Credit Parties that:

Section 6.1. Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) As soon as available, but in any event within 120 days after the end of each fiscal year, (i) a copy of the Borrower's Annual Report on Form 10-K in respect of such fiscal year required to be filed by the Borrower with the SEC, together with the financial statements attached thereto, and (ii) the Borrower's audited consolidated balance sheet and related consolidated statements of income, stockholder's equity and cash flows as of the end of and for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by the Accountants (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial conditions and results of operations of the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied during such fiscal year;

(b) As soon as available, but in any event within 60 days after the end of each of the first three fiscal quarters of each fiscal year, (i) a copy of the Borrower's Quarterly Report on Form 10-Q in respect of such fiscal quarter required to be filed by the Borrower with the SEC, together with the financial statements attached thereto, and (ii) the Borrower's unaudited consolidated balance sheet and related consolidated statements of income, stockholder's equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a duly authorized Financial Officer as presenting fairly in all material respects the financial conditions and results of operations of the Borrower and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year end audit adjustments and the absence of footnotes;

(c) Within 60 days after the end of each of the first three fiscal quarters and within 120 days after the end of the last fiscal quarter, a Compliance Certificate, signed by a Financial Officer (or such other officer as shall be acceptable to the Administrative Agent) as to the Borrower's compliance, as of such fiscal quarter ending date, with Section 7.5, and as to the absence of any Default as of such fiscal quarter ending date and the date of such certificate (or if a Default existed or exists, the nature thereof); and

(d) promptly following any request therefor, (i) such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of the Loan Documents, as any Credit Party may reasonably request and (ii) information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act and the Beneficial Ownership Regulation.

Section 6.2. Notices of Material Events. The Borrower will furnish the following to the Administrative Agent and each Lender:

(a) prompt written notice of the occurrence of any Default, specifying the nature thereof and any action taken or proposed to be taken with respect thereto;

(b) promptly upon becoming available, copies of all (i) regular, periodic or special reports, schedules and other material which the Borrower or any of its Subsidiaries may be required to file with or deliver to any securities exchange or the SEC, or any other Governmental Authority succeeding to the functions thereof, and (ii) upon the written request of the Administrative Agent, reports that the Borrower or any of its Subsidiaries sends to or files with the Federal Energy Regulatory Commission, the WPS, the MPUC or any Governmental Authority succeeding to the functions thereof, or any similar state or local Governmental Authority;

(c) prompt written notice of (i) any material citation, summons, subpoena, order, notice, claim or proceeding received by, or brought against, the Borrower or any of its Subsidiaries, with respect to (x) any proceeding before any Governmental Authority (other than proceedings in the ordinary course of business before the WPS or the MPUC), or (y) any real property under any Environmental Law, and (ii) any lapse or other termination of, or refusal to renew or extend, any material franchise or other authorization issued to the Borrower or any of its Subsidiaries by any Governmental Authority (other than in the ordinary course of business), provided that any of the foregoing set forth in this paragraph would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(d) prompt written notice of any change by any Rating Agency in a Senior Debt Rating; and

(e) any change in the information provided in the Beneficial Ownership Certification delivered to such Lender that would result in a change to the list of beneficial owners identified in such certification.

Each notice delivered under Section 6.2(a) or (c) shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Documents required to be delivered pursuant to Section 6.1(a) or (b) or Section 6.2(b) or (c) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (a) on which the Borrower posts such documents, or provides a link thereto, on the Borrower's website on the Internet at the website address listed in Section 10.1; or (b) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent), provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by facsimile or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Except

for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

Section 6.3. Legal Existence. Except as permitted under Section 7.2, the Borrower shall maintain its legal existence in good standing in the jurisdiction of its organization or formation and in each other jurisdiction in which the failure so to do would reasonably be expected to have a Material Adverse Effect, and cause each of the Subsidiaries to maintain its qualification to do business and good standing in each jurisdiction in which the failure so to do would reasonably be expected to have a Material Adverse Effect (it being understood that the foregoing shall not prohibit the Borrower from dissolving or terminating the existence of any Subsidiary that is inactive or whose preservation otherwise is no longer desirable in the conduct of the business of the Borrower and its Subsidiaries considered as a whole).

Section 6.4. Taxes. The Borrower shall pay and discharge when due, and cause each of the Subsidiaries so to do, all Taxes imposed upon it or upon its property, which if unpaid would, individually or collectively, reasonably be expected to have a Material Adverse Effect or become a Lien on the property of the Borrower or such Subsidiary (other than a Lien described in clause (a) of the definition of Permitted Encumbrances), as the case may be, unless and to the extent only that such Taxes shall be contested in good faith and by appropriate proceedings diligently conducted by the Borrower or such Subsidiary, as the case may be.

Section 6.5. Insurance. The Borrower shall maintain, and cause each of its Subsidiaries to maintain, with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business, provided that the Borrower and its Subsidiaries may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates and to the extent consistent with prudent business practice. The Borrower shall furnish to the Administrative Agent, upon written request of the Administrative Agent or any Lender, full information as to the insurance carried.

Section 6.6. Condition of Property. The Borrower shall at all times maintain, protect and keep in good repair, working order and condition in all material respects (ordinary wear and tear excepted), and cause each of its Subsidiaries so to do, all material property necessary to the operation of the Borrower's or such Subsidiary's, as the case may be, material businesses, provided that nothing shall prevent the Borrower or its Subsidiaries, as appropriate, from discontinuing the maintenance or operation of any property if such discontinuance is, in the judgment of the Borrower or such Subsidiary, desirable in the conduct of the business of the Borrower or such Subsidiary. It is understood that this covenant relates only to working order and condition of such property in accordance with prudent industry practices and shall not be construed as a covenant not to dispose of property.

Section 6.7. Observance of Legal Requirements. The Borrower shall observe and comply in all material respects, and cause each of its Subsidiaries so to do, with all laws, regulations and orders of any Governmental Authority which now or at any time hereafter may be applicable to it, including ERISA and all Environmental Laws, a violation of which would individually or collectively reasonably be expected to have a Material Adverse Effect, except such thereof as shall be contested in good faith and, if applicable, by appropriate proceedings diligently conducted by it.

Section 6.8. Inspection of Property; Books and Records; Discussions. The Borrower shall keep proper books of record and account in conformity with GAAP and all requirements of law. The Borrower shall permit representatives of the Administrative Agent and any Lender to visit its offices, to inspect any of its property (subject to reasonable procedures relating to safety and security) and examine and make copies or abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, prospects, property and financial condition of the Borrower and its Subsidiaries with the officers thereof and the Accountants; provided that none of the Administrative Agent, its agents, its representatives or the Lenders shall be entitled to examine or make copies or abstracts of, or otherwise obtain information with respect to, the Borrower's records relating to pending or threatened litigation if any such disclosure by the Borrower would reasonably be expected (i) to give rise to a waiver of any attorney/client privilege of the Borrower or any of its Subsidiaries relating to such information or (ii) to be otherwise materially disadvantageous to the Borrower or any of its Subsidiaries in the defense

of such litigation; and provided further that in the case of any discussion with the Accountants, the Borrower shall have been given the opportunity to participate in such discussion and, unless a Default exists, the Lender or Lenders requesting such discussion shall pay any fees and expenses of the Accountant in connection therewith.

Article 7.

NEGATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees and other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit have expired and all LC Disbursements have been reimbursed, the Borrower covenants and agrees with the Credit Parties that:

Section 7.1. Liens. The Borrower shall not, and shall not permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired by it, except:

(a) Liens now existing or hereafter arising in favor of the Administrative Agent or the Lenders under the Loan Documents;

(b) Permitted Encumbrances;

(c) any Lien existing on any property prior to the acquisition thereof by the Borrower or any Subsidiary, or existing on any property of any Person that becomes a Subsidiary after the Effective Date prior to the time such Person becomes a Subsidiary or that is merged with or into or consolidated with the Borrower or any Subsidiary prior to such merger or consolidation, provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary or such merger or consolidation, as the case may be, (ii) such Lien shall not apply to any other property of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations and liabilities that it secures on the date of such acquisition or the date such Person becomes a Subsidiary of the Borrower or such merger or consolidation, as the case may be;

(d) Liens (including precautionary Liens in connection with Capital Lease Obligations) on fixed or capital assets and other property (including any natural gas, oil or other mineral assets, pollution control facilities, electrical generating plants, equipment and machinery, and related accounts, financial assets, contracts and general intangibles) acquired, constructed, explored, drilled, developed, improved, repaired or serviced (including in connection with the financing of working capital and ongoing maintenance) by the Borrower or any Subsidiary, provided that (i) such security interests and the obligations and liabilities secured thereby are incurred prior to or within 270 days after the acquisition of the relevant asset or the completion of the relevant construction, exploration, drilling, development, improvement, repair or servicing (including the relevant financing of working capital and ongoing maintenance), as the case may be, (ii) the obligations and liabilities secured thereby do not exceed the cost of acquiring, constructing, exploring, drilling, developing, improving, repairing or servicing (including the financing of working capital and ongoing maintenance in respect of) the relevant assets, and (iii) such security interests shall not apply to any other property beyond the relevant property set forth in this paragraph (d) (and in the case of construction or improvement, any theretofore unimproved real property on which the property so constructed or the improvement is located) and paragraph (f), as applicable, of the Borrower or any Subsidiary;

(e) Liens created under or in connection with the Mortgage and the SWLP Mortgage;

(f) Liens on any Equity Interest owned or otherwise held by or on behalf of the Borrower or any Subsidiary in any Person created as a special purpose, bankruptcy-remote Person for the sole and exclusive purpose of engaging in activities in connection with the owning and operating of property in connection with any project financing permitted to be secured under paragraph (d);

(g) Liens created to secure Indebtedness of any Subsidiary to the Borrower or to any other Subsidiary;

(h) rights reserved to or vested in others to take or receive any part of any coal, ore, gas, oil and other minerals, any timber and/or any electric capacity or energy, gas, water, steam and any other product developed, produced, manufactured, generated, purchased or otherwise acquired by the Borrower or by others on property of the Borrower or any of its Subsidiaries, provided that no Lien described in this paragraph shall secure Indebtedness;

(i) Liens created for the sole purpose of extending, renewing or replacing in whole or in part Indebtedness secured by any lien, mortgage or security interest referred to in the foregoing paragraphs (a) through (h), provided that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement and that such extension, renewal or replacement, as the case may be, shall be limited to all or a part of the property or indebtedness that secured the lien or mortgage so extended, renewed or replaced (and any improvements on such property);

(j) Liens on cash or invested funds used to make a defeasance, covenant defeasance or in substance defeasance of any Indebtedness pursuant to an express contractual provision in the agreement governing such Indebtedness, provided that immediately before and immediately after giving effect to the making of such defeasance, no Default shall exist;

(k) Liens on all CoBank Equities now owned or hereafter acquired by the Borrower; and

(l) any Lien, in addition to those described in the foregoing paragraphs (a) through (k), securing obligations that, together with all other obligations secured pursuant to this paragraph (l), do not exceed 10% of Consolidated Assets at the time of the incurrence thereof.

Section 7.2. Merger; Consolidation. The Borrower shall not, and shall not permit any Subsidiary (excluding any Immaterial Subsidiary) to undergo a Division (as defined in Section 18-217 of the Delaware Limited Liability Company Act) or consolidate with or merge into any other Person (other than a merger of a Subsidiary into, or a consolidation of a Subsidiary with, the Borrower or another Subsidiary), unless:

(a) immediately before and after giving effect thereto no Default shall exist;

(b) immediately before and after giving effect thereto, all of the representations and warranties contained in the Loan Documents shall be true and correct except as the context thereof otherwise requires and except for those representations and warranties which by their terms or by necessary implication are expressly limited to a state of facts existing at a time prior to such merger, consolidation or acquisition, as the case may be, or such other matters relating thereto as are identified in a writing to the Administrative Agent and the Lenders and are satisfactory to the Administrative Agent and the Lenders; and

(c) in the case of a transaction involving the Borrower, either (i) the Borrower shall be the surviving entity thereof, or in the event the Borrower shall not be the surviving entity thereof, each of the following conditions shall be satisfied: (A) such surviving entity shall have been incorporated or otherwise formed in a State of the United States with substantially all of its assets and business located and conducted in the United States, (B) such surviving entity shall, immediately after giving effect to such transaction, have an Investment Grade Rating and (C) such surviving entity shall have expressly assumed the obligations of the Borrower under the Loan Documents pursuant to a writing in form and substance satisfactory to the Administrative Agent; and (ii) the Administrative Agent and the Lenders shall have received a certificate signed by a duly authorized officer of the Borrower identifying the Person to be merged with or into, or consolidated with, or acquired by, the Borrower, and certifying as to each of the matters set forth in clauses (a), (b) and (c)(i) of this Section 7.2.

For purposes of clause (c) above, "Investment Grade Rating" means a Senior Debt Rating from at least two Rating Agencies equal to (1) for any transaction where the surviving entity has a Senior Debt Rating, a rating for such surviving entity of BBB- or higher from S&P or Fitch or Baa3 or higher from Moody's and (2) for any transaction where the surviving entity is an indirect or direct holding company for a public utility that does not have a Senior Debt Rating, a rating for such surviving entity's primary utility Subsidiary of BBB- or higher from S&P or Fitch or Baa3 or higher from Moody's.

Section 7.3. Transactions with Affiliates. The Borrower shall not, and shall not permit any of its Subsidiaries to, sell, transfer, lease or otherwise dispose of (including pursuant to a merger) any property or assets to, or purchase, lease or otherwise acquire (including pursuant to a merger) any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except in the ordinary course of business at prices and on terms and conditions not less materially favorable to the Borrower or such Subsidiary, as the case may be, than could be obtained on an arms length basis from unrelated third parties, provided that this Section shall not apply to (i) any transaction that is in compliance with applicable laws and regulations of the Federal Energy Regulatory Commission, the WPS or the MPUC pertaining to affiliate transactions or is authorized by a tariff or rate schedule which has been approved by a Governmental Authority or performed in accordance with its orders, (ii) any transaction that is otherwise permitted under Section 7.2 and (iii) transactions pursuant to any contract in effect on the date hereof, as the same may be amended, extended or replaced from time to time so long as such contract as so amended, extended or replaced is, taken as a whole, not materially less favorable to the Borrower and its Subsidiaries than under those contracts in effect on the date hereof.

Section 7.4. Permitted Hedge Agreements. The Borrower shall not enter into any Hedge Agreements other than (a) Permitted Hedge Agreements and (b) transactions in futures, floors, collars and similar Hedge Agreements involving the stock price of a Person involved in a merger transaction permitted by Section 7.2.

Section 7.5. Financial Covenant. The Borrower will not permit Total Indebtedness to be greater than 65% of Total Capitalization as of the end of any fiscal quarter.

Section 7.6. Anti-Money Laundering and Anti-Terrorism Finance Laws; Foreign Corrupt Practices Act; Sanctions Laws; Restricted Person. The Borrower shall not, and shall not permit any Subsidiary to, (i) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any prohibition set forth in any Anti-Terrorism Law, (ii) cause or permit any of the funds that are used to repay any obligation under the Loan Documents to be derived from any unlawful activity with the result that the making of the Loans or the issuance of the Letters of Credit would be in violation of any applicable law, (iii) use any part of the proceeds of the Loans or the Letters of Credit, in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws; (iv) use any of the proceeds from the Loans or the Letters of Credit to finance any operations, investments or activities in, or make any payments to, any Restricted Person or in any manner that would result in the violation of any applicable sanctions.

Article 8.

EVENTS OF DEFAULT

If any of the following events (each an "Event of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or on any reimbursement obligation in respect of any LC Disbursement or any fee, commission or any other amount (other than an amount referred to in paragraph (a) of this Article) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with any Loan Document or any amendment or modification hereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification hereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 6.3 (with respect to the Borrower's existence), 7.2, 7.4 or 7.5;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 7.1 or Section 7.3 and such failure shall continue unremedied for a period of ten days after the Borrower shall have obtained knowledge thereof.

(f) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in any Loan Document to which it is a party (other than those specified in paragraph (a), (b), (d) or (e) of this Article), and such failure shall continue unremedied for a period of 30 days after the Borrower shall have obtained knowledge thereof;

(g) the Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect to any Material Obligations, when and as the same shall become due and payable and after the expiration of any applicable grace period;

(h) any event or condition occurs that results in any Material Obligations becoming due prior to their scheduled maturity or payment date, or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Obligations or any trustee or agent on its or their behalf to cause any Material Obligations to become due prior to their scheduled maturity or payment date or to require the prepayment, repurchase, redemption or defeasance thereof prior to their scheduled maturity or payment date (in each case after giving effect to any applicable cure period), provided that this paragraph (h) shall not apply to (i) Indebtedness that becomes due as a result of a notice of voluntary prepayment or redemption delivered by the Borrower or a Subsidiary, (ii) secured Indebtedness that becomes due solely as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, (iii) intercompany indebtedness or (iv) the exercise of any contractual right to cause the prepayment of any Material Obligations (other than the exercise of a remedy for an event of default under the applicable contract or agreement);

(i) except for Immaterial Transactions and transactions expressly permitted by Section 6.3 with respect to Subsidiaries, the Borrower or any Subsidiary shall (i) suspend or discontinue its business, (ii) make an assignment for the benefit of creditors, (iii) generally not pay its debts as such debts become due, (iv) admit in writing its inability to pay its debts as they become due, (v) file a voluntary petition in bankruptcy, (vi) become insolvent (however such insolvency shall be evidenced), (vii) file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment of debt, liquidation or dissolution or similar relief under any present or future statute, law or regulation of any jurisdiction, (viii) petition or apply to any tribunal for any receiver, custodian or any trustee for any substantial part of its property, (ix) be the subject of any such proceeding filed against it which remains undismissed for a period of 45 days, (x) file any answer admitting or not contesting the material allegations of any such petition filed against it or any order, judgment or decree approving such petition in any such proceeding, (xi) seek, approve, consent to, or acquiesce in any such proceeding, or in the appointment of any trustee, receiver, sequestrator, custodian, liquidator, or fiscal agent for it, or any substantial part of its property, or an order is entered appointing any such trustee, receiver, custodian, liquidator or fiscal agent and such order remains in effect for 45 days, or (xii) take any formal action for the purpose of effecting any of the foregoing or looking to the liquidation or dissolution of the Borrower or any Subsidiary;

(j) except to the extent arising solely out of an Immaterial Transaction, an order for relief is entered under the United States bankruptcy laws or any other decree or order is entered by a court having jurisdiction (i) adjudging the Borrower or any Subsidiary bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization, liquidation, arrangement, adjustment or composition of or in respect of Borrower or any Subsidiary under the United States bankruptcy laws or any other applicable Federal or state law, (iii) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Borrower or any Subsidiary of any substantial part of the property thereof, or (iv) ordering the winding up or liquidation (other than, in the case of a Subsidiary, voluntary liquidation, not under any bankruptcy, insolvency or similar law) of the affairs of the Borrower or any Subsidiary, and any such decree or order continues unstayed and in effect for a period of 45 days;

(k) one or more judgments or decrees against the Borrower or any of its Subsidiaries or any combination thereof aggregating in excess of $35,000,000, which judgment or decree (i) shall not be fully covered by insurance after taking into account any applicable deductibles and (ii) shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of at least 30 consecutive days;

(l) any Loan Document shall cease, for any reason, to be in full force and effect or the Borrower shall so assert in writing or shall disavow any of its obligations thereunder;

(m) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(n) any authorization or approval or other action by any Governmental Authority required for the execution, delivery or performance of any Loan Document shall be terminated, revoked or rescinded or shall otherwise no longer be in full force and effect;

(o) a Change in Control shall occur; or

(p) the Borrower shall fail to own, directly or indirectly, substantially all of the assets of Minnesota Power;

then, and in every such event (other than an event described in paragraph (i) or (j) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event described in paragraph (i) or (j) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued under the Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Article 9.

THE ADMINISTRATIVE AGENT

Section 9.1. Authorization and Action.

(a) Each Credit Party hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

(b) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

(c) As to any matters not expressly provided for herein and in the other Loan Documents (including enforcement or collection), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written instructions of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, pursuant to the terms in the Loan Documents), and, unless and until revoked in writing, such instructions shall be binding upon each Lender and each Issuing Bank; provided, however, that the Administrative Agent shall not be required to take any action that (i) the Administrative Agent in good faith believes exposes it to liability unless the Administrative Agent receives an indemnification and is exculpated in a manner satisfactory to it from the Lenders and the Issuing Banks with respect to such action or (ii) is contrary to this Agreement or any other Loan Document or applicable law, including any action that may be in violation of the automatic stay under any requirement of law relating to bankruptcy, insolvency or reorganization or relief of debtors or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any requirement of law relating to bankruptcy, insolvency or reorganization or relief of debtors; provided, further, that the Administrative Agent may seek clarification or direction from the Required Lenders prior to the exercise of any such instructed action and may refrain from acting until such clarification or direction has been provided. Except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower, any Subsidiary or any Affiliate of any of the foregoing that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. Nothing in this Agreement shall require the Administrative Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) In performing its functions and duties hereunder and under the other Loan Documents, the Administrative Agent is acting solely on behalf of the Lenders and the Issuing Banks (except in limited circumstances expressly provided for herein relating to the maintenance of the Register), and its duties are entirely mechanical and administrative in nature. Without limiting the generality of the foregoing:

(i) the Administrative Agent does not assume and shall not be deemed to have assumed any obligation or duty or any other relationship as the agent, fiduciary or trustee of or for any Lender or Issuing Bank other than as expressly set forth herein and in the other Loan Documents, regardless of whether a Default or an Event of Default has occurred and is continuing (and it is understood and agreed that the use of the term "agent" (or any similar term) herein or in any other Loan Document with reference to the Administrative Agent is not intended to connote any fiduciary duty or other implied (or express) obligations arising under agency doctrine of any applicable law, and that such term is used as a matter of market custom and is intended to create or reflect only an administrative relationship between contracting parties); additionally, each Lender agrees that it will not assert any claim against the Administrative Agent based on an alleged breach of fiduciary duty by the Administrative Agent in connection with this Agreement and/or the transactions contemplated hereby; and

(ii) nothing in this Agreement or any Loan Document shall require the Administrative Agent to account to any Lender for any sum or the profit element of any sum received by the Administrative Agent for its own account;

(e) The Administrative Agent may perform any of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any of their respective duties and exercise their respective rights and powers through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities pursuant to this Agreement. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agent except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agent.

(f) The Sole Lead Arranger and Sole Bookrunner shall have no obligations or duties whatsoever in such capacity under this Agreement or any other Loan Document and shall incur no liability hereunder or thereunder in such capacity, but shall have the benefit of the indemnities provided for hereunder.

(g) In case of the pendency of any proceeding with respect to the Borrower under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, the Administrative Agent (irrespective of whether the principal of any Loan or any reimbursement obligation in respect of any LC Disbursement shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, LC Disbursements and all other obligations under the Loan Documents that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Banks and the Administrative Agent (including any claim under Sections 3.1, 3.3, 3.5, 3.7 and 10.3) allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such proceeding is hereby authorized by each Lender and each Issuing Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Banks, to pay to the Administrative Agent any amount due to it, in its capacity as the Administrative Agent, under the Loan Documents (including under Section 10.3). Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or Issuing Bank any plan of reorganization, arrangement, adjustment or composition affecting

the obligations or the rights of any Lender or Issuing Bank or to authorize the Administrative Agent to vote in respect of the claim of any Lender or Issuing Bank in any such proceeding.

(h) The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Banks, and, except solely to the extent of the Borrower's rights to consent pursuant to and subject to the conditions set forth in this Article, none of the Borrower or any Subsidiary, or any of their respective Affiliates, shall have any rights as a third party beneficiary under any such provisions.

Section 9.2. Administrative Agent's Reliance, Indemnification, Etc.

(a) Neither the Administrative Agent nor any of its Related Parties shall be (i) liable for any action taken or omitted to be taken by such party under or in connection with this Agreement or the other Loan Documents (x) with the consent of or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in the Loan Documents) or (y) in the absence of its own gross negligence or willful misconduct (such absence to be presumed unless otherwise determined by a court of competent jurisdiction by a final and non-appealable judgment) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made the Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder.

(b) The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof (stating that it is a "notice of default") is given to the Administrative Agent by the Borrower, a Lender or an Issuing Bank, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document or the occurrence of any Default, (iv) the sufficiency, validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article 5 or elsewhere in any Loan Document, other than to confirm receipt of items (which on their face purport to be such items) expressly required to be delivered to the Administrative Agent or satisfaction of any condition that expressly refers to the matters described therein being acceptable or satisfactory to the Administrative Agent.

(c) Without limiting the foregoing, the Administrative Agent (i) may treat the payee of any Note as its holder until such Note has been assigned in accordance with Section 10.4, (ii) may rely on the Register to the extent set forth in Section 10.4(c), (iii) may consult with legal counsel (including counsel to the Borrower), independent public accountants and other experts selected by it, and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts, (iv) makes no warranty or representation to any Lender or Issuing Bank and shall not be responsible to any Lender or Issuing Bank for any statements, warranties or representations made by or on behalf of the Borrower in connection with this Agreement or any other Loan Document, (v) in determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or an Issuing Bank, may presume that such condition is satisfactory to such Lender or Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Lender or Issuing Bank sufficiently in advance of the making of such Loan or the issuance of such Letter of Credit and (vi) shall be entitled to rely on, and shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon, any notice, consent, certificate or other instrument or writing (which writing may be a fax, any electronic message, Internet or intranet website posting or other distribution) or any statement made to it orally or by telephone and believed by it to be genuine and signed or sent or otherwise authenticated by the proper party or parties (whether or not such Person in fact meets the requirements set forth in the Loan Documents for being the maker thereof).

Section 9.3. Posting of Communications.

(a) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make any Communications available to the Lenders and the Issuing Banks by posting the Communications on IntraLinks™, DebtDomain, SyndTrak, ClearPar or any other electronic platform chosen by the Administrative Agent to be its electronic transmission system (the "Approved Electronic Platform").

(b) Although the Approved Electronic Platform and its primary web portal are secured with generally-applicable security procedures and policies implemented or modified by the Administrative Agent from time to time (including, as of the Effective Date, a user ID/password authorization system) and the Approved Electronic Platform is secured through a per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Lenders, each of the Issuing Banks and the Borrower acknowledges and agrees that the distribution of material through an electronic medium is not necessarily secure, that the Administrative Agent is not responsible for approving or vetting the representatives or contacts of any Lender that are added to the Approved Electronic Platform, and that there may be confidentiality and other risks associated with such distribution. Each of the Lenders, each of the Issuing Banks and the Borrower hereby approves distribution of the Communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.

(c) THE APPROVED ELECTRONIC PLATFORM AND THE COMMUNICATIONS ARE PROVIDED "AS IS" AND "AS AVAILABLE". THE APPLICABLE PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS, OR THE ADEQUACY OF THE APPROVED ELECTRONIC PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE APPROVED ELECTRONIC PLATFORM AND THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE APPLICABLE PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT, THE SOLE LEAD ARRANGER AND SOLE BOOKRUNNER OR ANY OF THEIR RESPECTIVE RELATED PARTIES (COLLECTIVELY, "APPLICABLE PARTIES") HAVE ANY LIABILITY TO THE BORROWER, ANY LENDER, ANY ISSUING BANK OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF THE BORROWER'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET OR THE APPROVED ELECTRONIC PLATFORM.

"Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of the Borrower pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Administrative Agent, any Lender or any Issuing Bank by means of electronic communications pursuant to this Section, including through an Approved Electronic Platform.

(d) Each Lender and each Issuing Bank agrees that notice to it (as provided in the next sentence) specifying that Communications have been posted to the Approved Electronic Platform shall constitute effective delivery of the Communications to such Lender for purposes of the Loan Documents. Each Lender and Issuing Bank agrees (i) to notify the Administrative Agent in writing (which could be in the form of electronic communication) from time to time of such Lender's or Issuing Bank's (as applicable) email address to which the foregoing notice may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such email address.

(e) Each of the Lenders, each of the Issuing Banks and the Borrower agrees that the Administrative Agent may, but (except as may be required by applicable law) shall not be obligated to, store the Communications on the Approved Electronic Platform in accordance with the Administrative Agent's generally applicable document retention procedures and policies.

(f) Nothing herein shall prejudice the right of the Administrative Agent, any Lender or any Issuing Bank to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

Section 9.4. The Administrative Agent Individually. With respect to its Commitment, Loans, Letter of Credit Commitments and Letters of Credit, the Person serving as the Administrative Agent shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender or Issuing Bank, as the case may be. The terms "Issuing Banks", "Lenders", "Required Lenders" and any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity as a Lender, Issuing Bank or as one of the Required Lenders, as applicable. The Person serving as the Administrative Agent and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of banking, trust or other business with, the Borrower, any Subsidiary or any Affiliate of any of the foregoing as if such Person was not acting as the Administrative Agent and without any duty to account therefor to the Lenders or the Issuing Banks.

Section 9.5. Successor Administrative Agent.

(a) The Administrative Agent may resign at any time by giving 30 days' prior written notice thereof to the Lenders, the Issuing Banks and the Borrower, whether or not a successor Administrative Agent has been appointed. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent, which shall be a bank with an office in New York, New York or an Affiliate of any such bank. In either case, such appointment shall be subject to the prior written approval of the Borrower (which approval may not be unreasonably withheld and shall not be required while an Event of Default has occurred and is continuing). Upon the acceptance of any appointment as Administrative Agent by a successor Administrative Agent, such successor Administrative Agent shall succeed to, and become vested with, all the rights, powers, privileges and duties of the retiring Administrative Agent. Upon the acceptance of appointment as Administrative Agent by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. Prior to any retiring Administrative Agent's resignation hereunder as Administrative Agent, the retiring Administrative Agent shall take such action as may be reasonably necessary to assign to the successor Administrative Agent its rights as Administrative Agent under the Loan Documents.

(b) Notwithstanding paragraph (a) of this Section, in the event no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its intent to resign, the retiring Administrative Agent may give notice of the effectiveness of its resignation to the Lenders, the Issuing Banks and the Borrower, whereupon, on the date of effectiveness of such resignation stated in such notice, (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents; and (ii) the Required Lenders shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent; provided that (A) all payments required to be made hereunder or under any other Loan Document to the Administrative Agent for the account of any Person other than the Administrative Agent shall be made directly to such Person and (B) all notices and other communications required or contemplated to be given or made to the Administrative Agent shall directly be given or made to each Lender and each Issuing Bank. Following the effectiveness of the Administrative Agent's resignation from its capacity as such, the provisions of this Article and Section 10.3, as well as any exculpatory, reimbursement and indemnification provisions set forth in any other Loan Document, shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

Section 9.6. Acknowledgements of Lenders and Issuing Banks.

(a) Each Lender represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and that it has, independently and without reliance upon the Administrative Agent, the Sole Lead Arranger and Sole Bookrunner or any other Lender, or any of the Related Parties of any of the foregoing, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Sole Lead Arranger and Sole Bookrunner or any other Lender, or any of the Related Parties of any of the foregoing, and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrower and its Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

(b) Each Lender, by delivering its signature page to this Agreement on the Effective Date, or delivering its signature page to an Assignment and Assumption or any other Loan Document pursuant to which it shall become a Lender hereunder, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or the Lenders on the Effective Date.

Section 9.7. Certain ERISA Matters. (a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Sole Lead Arranger and Sole Bookrunner and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of the Plan Asset Regulations) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Sole Lead Arranger and Sole Bookrunner and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Loan Party, that none of the Administrative Agent or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto).

(c) The Administrative Agent and the Sole Lead Arranger and Sole Bookrunner hereby informs the Lenders that each such Person is not undertaking to provide investment advice or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Commitments, this Agreement and any other Loan Documents (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

Article 10.

MISCELLANEOUS

Section 10.1. Notices.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile (or e-mail in accordance with Section 10.1(b) below) as follows:

(i) if to the Borrower, to it at 30 West Superior Street, Duluth, Minnesota, Attention of: Patrick L. Cutshall, Treasurer, Phone: 218-723-3978, Fax: 218-723-3912, Email: pcutshall@allete.com.

(ii) if to the Administrative Agent,

(A) for Loans or Borrowings, to it at its Loan and Agency Services Group, 10 S. Dearborn Street, Floor L2, Chicago, Illinois, Attention of: Julius C. Williams, Phone: 312-954-3750, Fax: 844-492-3894, Email: jpm.agency.cri@jpmchase.com;

(B) for Letters of Credit, to it at its Letter of Credit Agency Servicing Group, 10 S. Dearborn Street, Floor 07, Chicago, Illinois, Attention of: Pavithra Charles, Phone: 855-609-9959, Email: chicago.lc.agency.activity.team@jpmchase.com;

(C) for credit related matters including compliance requirements pursuant to Article 6, to it at its Power & Utilities Credit, 10 S. Dearborn Street, Floor 09, Chicago, Illinois, Attention of: Justin Martin, Phone: 312-732-4441, Fax: 312-732-1762, Email: justin.2.martin@jpmorgan.com; and

(iii) if to any other Credit Party, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications or Approved Electronic Platforms to the extent provided in paragraph (b) below, shall be effective as provided in such paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Banks hereunder may be delivered or furnished by using Approved Electronic Platforms pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

For purposes of Section 6.2, the Borrower's website is www.allete.com.

(c) Change of Address, Etc. Any party hereto may change its address or facsimile number or e-mail address for notices and other communications hereunder by notice to the other parties hereto.

Section 10.2. Waivers; Amendments.

(a) No failure or delay by any Credit Party in exercising any right or power under any Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Credit Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan and/or the issuance, amendment, extension or renewal of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

(b) Subject to Section 3.4(b), neither any Loan Document nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders, provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender or increase the Letter of Credit Commitment of any Issuing Bank without the consent of such Issuing Bank, (ii) reduce the principal amount of any Loan or any reimbursement obligation with respect to a LC Disbursement, or reduce the rate of any interest, or reduce any fees, payable under the Loan Documents, without the written consent of each Credit Party affected thereby, (iii) postpone the date of payment at stated maturity of any Loan or the date of

payment of any reimbursement obligation with respect to an LC Disbursement, or the date of any interest or any fees payable under the Loan Documents, or reduce the amount of, waive or excuse any such payment, or postpone the stated termination or expiration of the Commitments without the written consent of each Credit Party affected thereby, (iv) change any provision hereof in a manner that would alter the pro rata sharing of payments required by Section 2.10(b) or 2.10(c) or the pro rata reduction of Commitments required by Section 2.5(c), without the written consent of each Credit Party affected thereby, and (v) change any of the provisions of this Section or the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, or change the currency in which Loans are to be made, Letters of Credit are to be issued or payment under the Loan Documents is to be made, or add additional borrowers, without the written consent of each Lender, and provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Issuing Banks hereunder without the prior written consent of the Administrative Agent or such Issuing Banks, as applicable.

Section 10.3. Expenses; Indemnity; Damage Waiver.

(a) Cost and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket costs and expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of each Loan Document or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated thereby shall be consummated), (ii) all reasonable out-of-pocket costs and expenses incurred by an Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket costs and expenses incurred by any Credit Party, including the reasonable fees, charges and disbursements of any counsel for any Credit Party and any consultant or expert witness fees and expenses, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out-of-pocket costs and expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by the Borrower. The Borrower shall indemnify each Credit Party and each Related Party thereof (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated thereby, (ii) any Loan or Letter of Credit or the use of the proceeds thereof including any refusal of an Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of the Subsidiaries, or any liability under any Environmental Law related in any way to the Borrower or any of the Subsidiaries or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or a breach in bad faith by such Indemnitee or arising solely from claims between or among one or more Indemnitees.

(c) Reimbursement by Lenders. To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or an Issuing Bank under paragraph (a) or (b) of this Section (and without limiting the Borrower's obligation to do so), each Lender severally agrees to pay to the Administrative Agent or such Issuing Bank, as applicable, an amount equal to the product of such unpaid amount multiplied by a fraction, the numerator of which is the sum of such Lender's unused Commitment plus the outstanding principal balance of such Lender's Loans and such Lender's LC Exposure and the denominator of which is the sum of the unused Commitments plus the outstanding principal balance of all Lenders Loans and the LC Exposure of all Lenders (in each case determined

as of the time that the applicable unreimbursed expense or indemnity payment is sought or, in the event that no Lender shall have any unused Commitments, outstanding Loans or LC Exposure at such time, as of the last time at which any Lender had any unused Commitments, outstanding Loans or LC Exposure), provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as applicable, was incurred by or asserted against the Administrative Agent or an Issuing Bank, as applicable, in its capacity as such.

(d) Waiver of Consequential Damages, etc. To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct and actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement, instrument or other document contemplated thereby, the Transactions or any Loan or any Letter of Credit or the use of the proceeds thereof.

(e) Payments. All amounts due under this Section shall be payable promptly but in no event later than ten days after written demand therefor.

Section 10.4. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each Credit Party) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may (and if demanded by Borrower pursuant to Section 3.8 shall to the extent required thereby) at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans and obligations in respect of its LC Exposure at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) In the case of an assignment of the entire remaining amount of the assigning Lender's Commitments and the Loans and obligations in respect of its LC Exposure at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) In any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "trade date" is specified in the Assignment and Assumption, as of the trade date) shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned.

(iii) Required Consents. For each such assignment:

(A) the consent of the Borrower (such consent not to be unreasonably withheld) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five Business Days after having received notice thereof;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of an unfunded or revolving facility if such assignment is to an Eligible Assignee that is not a Lender with a Commitment in respect of such facility, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(C) the consent of the applicable Issuing Banks (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding).

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, and the Eligible Assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.5, 3.6, 3.7 and 10.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) Register.

(i) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in New York, New York a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement,

notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(ii) Upon its receipt of (x) a duly completed Assignment and Assumption executed by an assigning Lender and an assignee or (y) to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to an Approved Electronic Platform as to which the Administrative Agent and the parties to the Assignment and Assumption are participants, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.4(b), 2.9(d) or (e), or 10.3(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph

(d) Participations. Any Lender may at any time, without the consent of, but with notice to, the Borrower and the Administrative Agent (provided that any failure to give such notice shall not impair the effectiveness of such participation except as expressly provided in paragraph (e) of this Section), sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of any Note for all purposes of this Agreement and (iv) the Borrower, the Administrative Agent and each Credit Party shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Notwithstanding the foregoing, in no event may a participation be granted to any entity which is not a commercial bank, finance company, insurance company or other financial institution or fund (whether a corporation, partnership or other entity) engaged generally in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business without the express prior written consent of the Borrower.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver with respect to the following matters described in clauses (ii) and (iii) of the first proviso in Section 10.2(b) that directly affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.5, 3.6 and 3.7 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section but (x) shall not be entitled to recover greater amounts under any such Section than the selling Lender would be entitled to recover and (y) shall be subject to replacement by the Borrower under Section 3.8 to the same extent as if it were a Lender; provided that such replacement Participant shall be a commercial bank, finance company, insurance company or other financial institution or fund (whether a corporation, partnership or other entity) engaged generally in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender, provided such Participant agrees to be subject to Section 2.10(c) as though it were a Lender.

Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary

to establish that such Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.5 or 3.7 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.7 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.7(f) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Notwithstanding any provision in this Section 10.4 to the contrary, if any Lender becomes a Defaulting Lender, then the provisions of Section 2.11 shall apply for so long as such Lender is a Defaulting Lender.

Section 10.5. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of any Loan Document and the making of any Loans and the issuance of any Letter of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any LC Disbursement or any fee or any other amount payable under the Loan Documents is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 3.5, 3.6, 3.7, 10.3, 10.9, 10.10 and Article 9 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the LC Disbursements, the expiration or termination of the Letters of Credit and the termination of the Commitments or the termination of this Agreement or any provision hereof.

Section 10.6. Counterparts; Integration; Effectiveness.

(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to any Credit Party or the syndication of the credit facility established hereunder constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.1, this Agreement shall become effective as of the date set forth in the preamble to this Agreement when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) Delivery of an executed counterpart of a signature page of this Agreement by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually

executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent.

Section 10.7. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.8. Right of Set-off. If an Event of Default shall have occurred and be continuing, and the acceleration of the obligations owing in connection with the Loan Documents, or at any time upon the occurrence and during the continuance of an Event of Default under paragraph (a) of Article 8, each of the Lenders and their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by it to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement and the other Loan Documents held by it, irrespective of whether or not it shall have made any demand therefor and although such obligations may be unmatured. The rights of each of the Lenders and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of set-off) that it may have. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set off and application.

Section 10.9. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any other Credit Party may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against the Borrower, or any of its property, in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each of the parties hereto irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 10.10. Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR RELATING TO THIS CREDIT AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 10.12. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan or LC Disbursement, together with all fees, charges and other amounts that are treated as interest thereon under applicable law, shall exceed the maximum lawful rate (the "Maximum Rate") that may be contracted for, charged, taken, received or reserved by the Lender holding an interest in such Loan or LC Disbursement in accordance with applicable law, the rate of interest payable in respect of such Loan or LC Disbursement hereunder, together with all of the charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and the charges that would have been payable in respect of such Loan or LC Disbursement but were not payable as a result of the operation of this Section shall be cumulated, and the interest and the charges payable to such Lender in respect of other Loans or LC Disbursements or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.13. Advertisement. The Borrower hereby authorizes JPMorgan Chase or any Affiliate thereof to publish the name of the Borrower and the amount of the financing evidenced hereby in any "tombstone" or comparable advertisement that JPMorgan Chase or such Affiliate elects to publish at its own expense. In addition, the Borrower agrees that JPMorgan Chase or any Affiliates thereof may provide lending industry trade organizations with information necessary and customary for inclusion in league table measurements after the date hereof.

Section 10.14. USA PATRIOT Act. Each Lender that is subject to the requirements of the PATRIOT Act hereby notifies the Borrower that such Lender is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the PATRIOT Act.

Section 10.15. Treatment of Certain Information. Each Credit Party agrees to use reasonable precautions to keep confidential, in accordance with its customary procedures for handling confidential information of the same nature, all confidential, proprietary or non-public information supplied by the Borrower or any Affiliate pursuant to this Agreement relating to the Borrower, such Subsidiary or their respective businesses, including, without limitation, any financial statement, financial projections or forecasts, budget, Compliance Certificate, audit report, management letter or accountants' certification delivered hereunder ("Information"), provided that nothing herein shall limit the disclosure of any Information (a) to any of its respective Related Parties that needs to know such Information, (b) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, or requested by any bank regulatory authority, (c) on a confidential basis, to any bona fide or potential assignee or participant in connection with the contemplated assignment or participation of any Loans or any participations therein or by any direct or indirect contractual counterparties (or the professional advisors thereto) to any swap or derivative transaction relating to the Borrower and its obligations (provided such assignees, participants, counterparties and advisors are advised of and agree to be bound by either the provisions of this Section 10.15 or other provisions at least as restrictive as this Section 10.15), (d) to auditors, accountants, consultants and advisors, and any analogous counterpart thereof, (e) to any other Credit Party, (f) in connection with any litigation to which any one or more of the Credit Parties is a party, (g) to the

extent such Information (A) becomes publicly available other than as a result of a breach of this Agreement, (B) becomes available to any of the Credit Parties on a non-confidential basis from a source other than the Borrower or any of its Affiliates or (C) was available to the Credit Parties on a non-confidential basis prior to its disclosure to any of them by the Borrower or any of its Affiliates; and (h) to the extent the Borrower shall have consented to such disclosure in writing.

Section 10.16. No Fiduciary Duty, etc. (a) The Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that no Credit Party will have any obligations except those obligations expressly set forth herein and in the other Loan Documents and each Credit Party is acting solely in the capacity of an arm's length contractual counterparty to the Borrower with respect to the Loan Documents and the transactions contemplated herein and therein and not as a financial advisor or a fiduciary to, or an agent of, the Borrower or any other person. The Borrower agrees that it will not assert any claim against any Credit Party based on an alleged breach of fiduciary duty by such Credit Party in connection with this Agreement and the transactions contemplated hereby. Additionally, the Borrower acknowledges and agrees that no Credit Party is advising the Borrower as to any legal, tax, investment, accounting, regulatory or any other matters in any jurisdiction. The Borrower shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated herein or in the other Loan Documents, and the Credit Parties shall have no responsibility or liability to the Borrower with respect thereto.

(b) The Borrower further acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party, together with its Affiliates, is a full service securities or banking firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, any Credit Party may provide investment banking and other financial services to, and/or acquire, hold or sell, for its own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of, the Borrower and other companies with which the Borrower may have commercial or other relationships. With respect to any securities and/or financial instruments so held by any Credit Party or any of its customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion.

(c) In addition, the Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party and its affiliates may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which the Borrower may have conflicting interests regarding the transactions described herein and otherwise. No Credit Party will use confidential information obtained from the Borrower by virtue of the transactions contemplated by the Loan Documents or its other relationships with the Borrower in connection with the performance by such Credit Party of services for other companies, and no Credit Party will furnish any such information to other companies. The Borrower also acknowledges that no Credit Party has any obligation to use in connection with the transactions contemplated by the Loan Documents, or to furnish to the Borrower, confidential information obtained from other companies.

Section 10.17. CoBank Equity and Security.

(a) So long as CoBank (or its Affiliate) is a Lender hereunder, the Borrower will (i) maintain its status as an entity eligible to borrow from CoBank and (ii) acquire equity in CoBank in such amounts and at such times as CoBank may require in accordance with CoBank's Bylaws and Capital Plan, except that the maximum amount of equity that the Borrower may be required to purchase in CoBank in connection with the Loans made by CoBank (or its affiliate) may not exceed the maximum amount permitted by the Bylaws and the Capital Plan at the time this Agreement is entered into. The Borrower acknowledges receipt of a copy of (x) CoBank's most recent annual report, and if more recent, CoBank's latest quarterly report, (y) CoBank's Notice to Prospective Stockholders and (iii) CoBank's Bylaws and Capital Plan, which describe the nature of all of the Borrower's cash patronage, stock and other equities in CoBank acquired in connection with its patronage loan from CoBank (or its Affiliate) (the "CoBank Equities") as well as capitalization requirements, and agrees to be bound by the terms thereof.

(b) Each party hereto acknowledges that CoBank's Bylaws and Capital Plan shall govern (i) the rights and obligations of the parties with respect to the CoBank Equities and any patronage refunds or other distributions made on account thereof or on account of the Borrower's patronage with CoBank, (ii) the Borrower's eligibility for

patronage distributions from CoBank (in the form of CoBank Equities and cash) and (iii) patronage distributions, if any, in the event of a sale of a participation interest. CoBank reserves the right to assign or sell participations in all or any part of its (or its Affiliate's) Commitments or outstanding Loans hereunder on a non-patronage basis.

(c) Each party hereto acknowledges that CoBank has a statutory first lien pursuant to the Farm Credit Act of 1971 (as amended from time to time) on all CoBank Equities that the Borrower may now own or hereafter acquire, which statutory lien shall be for CoBank's (or its Affiliate's) sole and exclusive benefit. The CoBank Equities shall not constitute security for the obligations due to any other Lender. To the extent that any of the Loan Documents create a Lien on the CoBank Equities or on patronage accrued by CoBank for the account of the Borrower (including, in each case, proceeds thereof), such Lien shall be for CoBank's (or its Affiliate's) sole and exclusive benefit and shall not be subject to pro rata sharing hereunder. Neither the CoBank Equities nor any accrued patronage shall be offset against the obligations hereunder, except that, in the event of an Event of Default, CoBank may elect, solely at its discretion, to apply the cash portion of any patronage distribution or retirement of equity to amounts owed to CoBank or its Affiliate under this Agreement, whether or not such amounts are currently due and payable. The Borrower acknowledges that any corresponding tax liability associated with such application is the sole responsibility of the Borrower. CoBank shall have no obligation to retire the CoBank Equities upon any Default or any other default by the Borrower, or at any other time, either for application to the Loans or other obligations under this Agreement or otherwise.

Section 10.18. Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ALLETE, INC., as Borrower

By: _____
Name: _____
Title: _____

JPMORGAN CHASE BANK, N.A., as a Lender, as an Issuing Bank, and as Administrative Agent

By: _____
Name: _____
Title: _____

ROYAL BANK OF CANADA, as a Lender

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: _____
Name: _____
Title: _____

BANK OF AMERICA, N.A., as a Lender

By: _____
Name: _____
Title: _____

KEYBANK NATIONAL ASSOCIATION, as a Lender

By: _____
Name: _____
Title: _____

COBANK, ACB, as a Lender and as an Issuing Bank

By: _____
Name: _____
Title: _____

SCHEDULE 1

APPLICABLE MARGIN

The Applicable Margin for Eurodollar Borrowings, ABR Borrowings, Letter of Credit fees and facility fees shall be determined in accordance with the table below based on the then-current Senior Debt Ratings. The Senior Debt Ratings in effect on any date for the purposes of this Schedule are those in effect at the close of business on such date.

Status	Pricing Level I	Pricing Level II	Pricing Level III	Pricing Level IV	Pricing Level V
Senior Debt Rating	≥ A+/ A+/ A1	≥ A/ A/ A2	≥ A-/ A-/A3	≥ BBB+/ BBB+/ Baa1	< BBB+/ BBB+/ Baa1
Applicable Margin for Eurodollar Rate loans and Letter of Credit participation fees	0.800%	0.900%	1.00%	1.075%	1.275%
Applicable for facility fees	0.075%	0.100%	0.125%	0.175%	0.225%
Applicable Margin for ABR loans	0%	0%	0%	0.075%	0.275%

(a) If each Rating Agency issues a Senior Debt Rating, the applicable Senior Debt Rating shall be (i) if two of such Senior Debt Ratings are the same, such Senior Debt Ratings; and (ii) if all such Senior Debt Ratings are different, the middle of such Senior Debt Ratings.

(b) If only two Rating Agencies issue a Senior Debt Rating, the applicable Senior Debt Rating shall be the higher of such Senior Debt Ratings; provided that if a split of greater than one ratings category occurs between such Senior Debt Ratings, the applicable Senior Debt Rating shall be the ratings category that is one category below the higher of such Senior Debt Ratings.

(c) If only one Rating Agency issues a Senior Debt Rating, the applicable Senior Debt Rating shall be such Senior Debt Rating.

(d) If no Rating Agency issues a Senior Debt Rating, Pricing Level V shall apply.

SCHEDULE 2.1

LIST OF COMMITMENTS

Lender	**Commitment**
JPMorgan Chase Bank, N.A.	$70,000,000
U.S. Bank National Association	$60,000,000
Wells Fargo Bank, National Association	$60,000,000
Royal Bank of Canada	$60,000,000
Bank of America, N.A.	$60,000,000
CoBank, ACB	$45,000,000
KeyBank National Association	$45,000,000
Total	**$400,000,000**

SCHEDULE 2.1

LETTER OF CREDIT COMMITMENTS

Issuing Bank	Commitment
JPMorgan Chase Bank, N.A.	$15,000,000
CoBank, ACB	$45,000,000
Total	**$60,000,000**

SCHEDULE 2.9

EXISTING LETTERS OF CREDIT

LC Number	Issue Date	Expiry Date	Beneficiary	Amount
NUSCGS017948	08/29/18	08/06/19	Northwestern Corporation	$4,806,370.00
NUSCGS002178	12/11/17	06/01/19	Kiewit Power Constructors Co.	$572,623.50
CPCS-896422	09/15/15	09/10/19	Kiewit Power Constructors Co.	$1,711,097.00
CPCS-896429	08/26/15	03/31/19	TIC - The Industrial Company	$749,241.00
CPCS-838047	08/11/15	07/29/19	Kiewit Power Constructors Co.	$104,951.90
CPCS-768035	04/17/15	08/15/19	Gemma Power Systems, LLC	$334,700.00
CPCS-890848	06/15/17	06/15/19	Mid-Continent Independent System	$400,000.00
CPCS-392599	01/24/13	12/31/19	State of Minnesota	$3,413,384.00
CPCS-838037	08/11/15	07/29/19	Kiewit Power Constructors Co.	$233,643.60
CPCS-876683	06/22/17	04/07/19	Kiewit Power Constructors Co.	$116,822.00
CPCS-768036	04/17/15	09/30/19	Gemma Power Systems, LLC	$332,206.56
NUSCGS002177	12/11/17	08/01/19	Kiewit Power Constructors Co.	$164,104.80
CPCS-344357	01/03/13	12/31/19	Midwest Independent Transmission	$1,500,000.00
NUSCGS006217	03/21/18	03/19/20	Northwestern Corporation	$800,000.00
NUSCGS007703	07/02/18	06/18/19	Kiewit Power Constructors Co.	$71,240.50
NUSCGS017437	07/02/18	06/25/19	Kiewit Power Constructors Co.	$130,684.40
NUSCGS018011	08/22/18	07/31/19	Kiewit Power Constructors Co.	$641,346.00
CPCS-984746	05/18/16	03/16/19	Kiewit Power Constructors Co.	$261,368.80
CPCS-838044	08/13/15	07/29/19	Kiewit Energy Canada Corp.	$231,016.67
CPCS-890847	06/15/17	06/15/19	Mid-Continent Independent System	$400,000.00
CPCS-896401	09/02/15	11/15/19	Kiewit Energy Canada Corp.	$325,025.00
NUSCGS025173	12/19/18	07/31/19	Kiewa-GIA Constructora S. de R.L.	$490,972.00

SCHEDULE 4.5/4.6

DISCLOSED MATTERS

None.

SCHEDULE 4.10

LIST OF SUBSIDIARIES1

ALLETE Automotive Services, LLC
ALLETE Enterprises, Inc.
- ALLETE Clean Energy, Inc.
  - ACE O&M, LLC
  - ACE Wind LLC
    - ACE Mid-West Holdings, LLC
      - MWW Holdings, LLC
        - Lake Benton Power Associates LLC
          - Lake Benton Holdings LLC
            - Lake Benton Power Partners L.L.C.
        - Storm Lake Power Partners I LLC
        - Storm Lake II Power Associates LLC
          - Storm Lake II Holdings LLC
            - Storm Lake Power Partners II LLC
        - New Salem Holdings, LLC
          - Glen Ullin Energy Center, LLC
      - Northern Wind Energy, LLC
        - Chanarambie Power Partners, LLC
        - Viking Wind Holdings, LLC
          - Viking Wind Partners, LLC
            - Buffalo Ridge Wind Farm, LLC
            - Moulton Heights Wind Power Project, LLC
            - Muncie Power Partners, LLC
            - North Ridge Wind Farm, LLC
            - Vandy South Project, LLC
            - Viking Wind Farm, LLC
            - Vindy Power Partners, LLC
            - Wilson-West Wind Farm, LLC
    - ACE West Holdings, LLC
      - Condon Wind Power, LLC
      - South Peak Wind, LLC
    - Armenia Holdings, LLC
      - AMW I Holding, LLC
        - Armenia Mountain Wind, LLC
      - Armenia Mountain Wind II, LLC
    - Thunder Spirit Wind, LLC
  - ALLETE Power Systems, Inc.
  - ALLETE Renewable Resources, Inc.
  - ALLETE South Wind, LLC
  - ALLETE Transmission Holdings, Inc.
  - BNI Energy, Inc.
    - BNI Coal, Ltd.
  - Global Water Services Holding Company, Inc.
    - U.S. Water Services, Inc.

1 Unless otherwise specified, the Equity Interests in each Subsidiary are owned 100% by the Subsidiary identified above it, with first-tier Subsidiaries' Equity Interests owned 100% by ALLETE, Inc.

- U.S. Water Services - Canada, Inc.
- USWATERSERV-DR, SRL.
- MP Affiliate Resources, Inc.
- Rainy River Energy Corporation
- South Shore Energy, LLC
- Upper Minnesota Properties, Inc.
  - Upper Minnesota Properties - Development, Inc.

ALLETE Properties, LLC
- ALLETE Commercial, LLC
- Lehigh Acquisition, LLC
  - Florida Landmark Communities, LLC
    - Lehigh Corporation
    - Mardem, LLC
    - Palm Coast Holdings, Inc.
    - Port Orange Holdings, LLC
  - Interlachen Lakes Estates, LLC
- Palm Coast Land, LLC

ALLETE Water Services, Inc.
- Florida Water Services Corporation
  - Energy Replacement Property, LLC

Energy Land, Incorporated
Lakeview Financial Corporation I
Lakeview Financial Corporation II
MP Investments, Inc.
RendField Land Company, Inc.
Superior Water, Light and Power Company

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into between [the] [each][1] Assignor identified in item 1 below ([the][each, an] "Assignor") and [the][each][2] Assignee identified in item 2 below ([the][each, an] "Assignee"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees][3] hereunder are several and not joint.][4] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, modified or otherwise supplemented from time to time, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the Credit Agreement (including without limitation any letters of credit included in such facilities and, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) other than claims for indemnification or reimbursement with respect to any period prior to the Effective Date (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: [and is an Affiliate of Assignor]

3. Borrower: ALLETE, Inc.

4. Administrative Agent: JPMorgan Chase Bank, N.A.

5. Credit Agreement: Amended and Restated Credit Agreement dated as of January 10, 2019 among the Borrower, the Lenders party thereto and the Administrative Agent.

1 For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.
2 For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.
3 Select as appropriate.
4 Include bracketed language if there are either multiple Assignors or multiple Assignees.

6. Assigned Interest:

Assignor[s][5]	Assignee[s][6]	Facility Assigned	Aggregate Amount of Commitment/ Loans for all Lenders[7]	Amount of Commitment/ Loans Assigned[8]	Percentage Assigned of Commitment/Loans[8]
		Revolving	$[_____]	$[_____]	[____]%

7. Trade Date: _____ 20__.[9]
Effective Date: _____, 20__ [TO BE INSERTED BY THE ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE ADMINISTRATIVE AGENT.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]
By:
Title:

ASSIGNEE
[NAME OF ASSIGNEE]
By:
Title:

5 List each Assignor, as appropriate.
6 List each Assignee, as appropriate.
7 Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.
8 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.
9 Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

[Consented to and][10] Accepted:

JPMORGAN CHASE BANK, N.A., as Administrative Agent
By:
Title:

[Consented to:][11]
[NAME OF RELEVANT PARTY]
By:
Title:

10 To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
11 To be added only if the consent of the Borrower and/or other parties (e.g. LC Issuer) is required by the terms of the Credit Agreement.

ANNEX 1

TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.1 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (vi) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date. The Assignor and Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT B

FORM OF CREDIT REQUEST

[Date]

JPMorgan Chase Bank, N.A., as Administrative Agent
10 S. Dearborn, Floor 07
Chicago, IL 60603
Attention: Julius C. Williams

Ladies/Gentlemen:

Please refer to the Amended and Restated Credit Agreement dated as of January 10, 2019, among ALLETE, Inc. (the "Borrower"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent") (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein that are defined in the Credit Agreement shall have the meanings therein defined.

1. Pursuant to Section 2.3(a) of the Credit Agreement, the Borrower hereby gives notice of its intention to borrow Borrowings in an aggregate principal amount of $ _____on _____ __, 20__ (the "Borrowing Date"), which Borrowing(s) shall consist of the following Types:

Type of Borrowing (ABR or Eurodollar)	Amount	Interest Period for Eurodollar Borrowings

2. Pursuant to Sections 2.9 and 5.2 of the Credit Agreement, the Borrower hereby requests that the Issuing Bank [issue, amend, renew or extend] Letter(s) of Credit on _____ __, 20__, in accordance with the information annexed hereto (attach additional sheets if necessary).

3. The Borrower hereby certifies that on the date hereof and on the Borrowing Date set forth above, and after giving effect to the Loans and Letters of Credit requested hereby, there exists and shall exist no Default and each of the representations and warranties contained in each Loan Document (other than the representations and warranties in Sections 4.4(b), 4.5 and 4.6 of the Credit Agreement) is and shall be true and correct except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct on and as of such earlier date.

4. The location and number of the Borrower's account to which funds are to be disbursed is as follows: [Insert Wire Instructions]

IN WITNESS WHEREOF, the Borrower has caused this Credit Request to be executed by its authorized signatory as of the date and year first written above.

ALLETE, INC.

By: _____
Name: _____
Title: _____

EXHIBIT C

FORM OF NOTE

_____, 2019

FOR VALUE RECEIVED, the undersigned, ALLETE, Inc., a Minnesota corporation (the "Borrower"), hereby promises to pay to the order of [INSERT LENDER NAME] (the "Lender") the unpaid principal amount of the Loans made by the Lender to the Borrower, in the amounts and at the times set forth in the Amended and Restated Credit Agreement dated as of January 10, 2019, among the Borrower, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), and to pay interest from the date hereof on the principal balance of such Loans from time to time outstanding at the rate or rates and at the times set forth in the Credit Agreement, in each case at the office of the Administrative Agent located at Ten South Dearborn Street, Chicago, Illinois, or at such other place as the Administrative Agent may specify from time to time, in lawful money of the United States in immediately available funds. Terms not otherwise defined herein but defined in the Credit Agreement are used herein with the same meanings.

The Loans evidenced by this Note are prepayable in the amounts, and under the circumstances, and their respective maturities are subject to acceleration upon the terms, set forth in the Credit Agreement. This Note is subject to, and shall be construed in accordance with, the provisions of the Credit Agreement and is entitled to the benefits and security set forth in the Loan Documents.

The Lender is hereby authorized to record on the Schedule annexed hereto, and any continuation sheets which the Lender may attach hereto, (i) the date of each Loan made by the Lender to the Borrower, (ii) the Type and amount thereof, (iii) the interest rate (without regard to the Applicable Margin) and Interest Period applicable to each Eurodollar Loan and (iv) the date and amount of each conversion of, and each payment or prepayment of the principal of, any such Loan. The entries made on such Schedule shall be prima facie evidence of the existence and amounts of the obligations recorded thereon, provided that the failure to so record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of the Credit Agreement.

Except as specifically otherwise provided in the Credit Agreement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Note.

Whenever in this Note either party hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. The Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly permitted by the Loan Documents. No failure or delay of the Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. Neither this Note nor any provision hereof may be waived, amended or modified, nor shall any departure therefrom be consented to, except pursuant to a written agreement entered into between the Borrower and the Lender with respect to which such waiver, amendment, modification or consent is to apply, subject to any consent required in accordance with Section 10.2 of the Credit Agreement.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All communications and notices hereunder shall be in writing and given as provided in Section 10.1 of the Credit Agreement.

The Borrower, and by accepting the Note, the Lender, hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Note or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the Borrower and the Lender hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. The Borrower, and by accepting this Note, the Lender, agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Note shall affect any right that the Borrower or the Lender may otherwise have to bring any action or proceeding relating to this Note or the other Loan Documents against the other party, or any of its property, in the courts of any jurisdiction.

The Borrower, and by accepting this Note, the Lender, hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Note or the other Loan Documents in any court referred to in the preceding paragraph hereof. The Borrower, and by accepting this Note, the Lender, hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

The Borrower, and by accepting this Note, the Lender, irrevocably consents to service of process in the manner provided for notices herein. Nothing herein will affect the right of the Borrower or the Lender to serve process in any other manner permitted by law.

THE BORROWER, AND BY ACCEPTING THIS NOTE, THE LENDER, EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR RELATING TO THIS NOTE. THE BORROWER, AND BY ACCEPTING THIS NOTE, THE LENDER, (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT SUCH OTHER PARTY HAS BEEN INDUCED TO ENTER INTO THE LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

ALLETE, INC.

By: _____
Name: _____
Title: _____

SCHEDULE TO NOTE

Date	Type of Loan	Amount of Loan	Amount of principal converted, paid or prepaid	Interest Rate on Eurodollar Loans	Interest Period for Eurodollar Loans	Notation Made By

EXHIBIT D

FORM OF COMPLIANCE CERTIFICATE

I, _____, do hereby certify that I am the _____ of ALLETE, Inc. (the "Borrower"), and that, as such, I am duly authorized to execute and deliver this Compliance Certificate on the Borrower's behalf pursuant to Section 6.1(c) of the Amended and Restated Credit Agreement dated as of January 10, 2019 among the Borrower, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein which are not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

I hereby certify that:

1. To the best of my knowledge, all financial statements delivered herewith have been prepared in accordance with GAAP. There have been no changes in GAAP pertinent to the Borrower or in the application thereof to Borrower and that affects the computation of any financial covenant set forth in Section 7.5 of the Credit Agreement, since the date of the audited financial statements referred to in Section 4.4(a) of the Credit Agreement, [, except as follows:[12]]

2. There existed no Default on the last day of the fiscal quarter ended _____, 20__, and there exists no Default as of the date hereof [, except as follows[13]]

3. Attached are true and correct calculations demonstrating compliance with Section 7.5 of the Credit Agreement as of the fiscal quarter ended _____, 20__.

IN WITNESS WHEREOF, I have executed this Compliance Certificate on this ___ day of _____, 20__.

12 Specify each such change and the effect thereof on the financial statements accompanying this Compliance Certificate as set forth in Section 1.4 of the Credit Agreement.

13 Specify all such violations, conditions and events, the nature and status thereof and any action taken or proposed to be taken with respect thereto.

Section 7.5

Ratio of Total Indebtedness to Total Capitalization[14]

Item 1.	Sum of all Indebtedness	$
Item 2.	Unamortized premium and discount (as such term is used in the Borrower Financial Statements)	$
Item 3.	Total Indebtedness (Item 1 minus Item 2)	$
Item 4.	Preferred Equity Interests	$
Item 5.	Common Equity Interests and any premium on Equity Interests thereon (as such term is used in the Borrower Financial Statements) excluding accumulated other comprehensive income or loss	$
Item 6.	Retained earnings	$
Item 7.	Sum of Items 3, 4, 5 and 6	$
Item 8.	Stock of the Borrower acquired by the Borrower and stock of a Subsidiary acquired by such Subsidiary	$
Item 9.	Total Capitalization (Item 7 minus Item 8)	$
Item 10.	Ratio of Total Indebtedness to Total Capitalization (Item 3 divided by Item 9)	_.__: 1.00
	Maximum permitted ratio	0.65:1.00

14 Each of the computations is based on the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP.

EXHIBIT E

FORM OF INCREASE SUPPLEMENT

INCREASE SUPPLEMENT, dated as of _____, 20__ to the Amended and Restated Credit Agreement, dated as of January 10, 2019, among ALLETE, Inc., a Minnesota corporation (the "Borrower"), the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent") (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein that are defined in the Credit Agreement shall have the meanings therein defined.

1. Pursuant to Section 2.5(d) of the Credit Agreement, the Borrower hereby proposes to increase (the "Increase") the aggregate Commitments from $_____ to $_____.

2. Each of the following Lenders (each an "Increasing Lender") has been invited by the Borrower, and has agreed, subject to the terms hereof, to increase its Commitment as follows:

Name of Lender	Commitment (after giving effect to the Increase)
	$
	$

3. Each of the following Persons (each a "Proposed Lender") has been invited by the Borrower, and has agreed, subject to the terms hereof, to become a "Lender" under the Credit Agreement with a Commitment in the amount set forth below:

Name of Lender	Commitment
	$
	$
	$

4. The Borrower hereby represents and warrants to the Administrative Agent, each Lender and each such Person that immediately before and after giving effect to the Increase, (a) no Default exists or would exist under the Loan Documents and (b) the representations and warranties of the Borrower set forth in the Loan Documents are true and correct on the date hereof except to the extent such representations and warranties specifically relate to an earlier date.

5. Pursuant to Section 2.5(d) of the Credit Agreement, by execution and delivery of this Increase Supplement, together with the satisfaction of all of the requirements set forth in clauses (A) through (E) of such Section 2.5(d) (the date of such satisfaction being the "Increase Effective Date"), (i) each of the Increasing Lenders shall have, on and as of the Increase Effective Date of the Increase, a Commitment equal to the amount set forth above next to its name, and (ii) each such Proposed Lender as of the Increase Effective Date shall be deemed to be a "Lender" under, and as such term is defined in, the Credit Agreement, and shall have a Commitment equal to the amount set forth above next to its name.

IN WITNESS WHEREOF, the parties hereto have caused this Increase Supplement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

ALLETE, INC.

By:_____
Name: _____
Title: _____

JPMORGAN CHASE BANK, N.A., as
Administrative Agent

By:_____
Name: _____
Title: _____

[INCREASING LENDER]

By:_____
Name: _____
Title: _____

[PROPOSED LENDER]

By:_____
Name: _____
Title: _____

EXHIBIT F-1

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of January 10, 2019 (as amended, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), among ALLETE, Inc., each lender from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

Pursuant to the provisions of Section 3.7 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any promissory note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]
By:
Name:
Title:

Date: _____ __, 20[ ]

EXHIBIT F-2

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of January 10, 2019 (as amended, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), among ALLETE, Inc., each lender from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

Pursuant to the provisions of Section 3.7 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]
By:
Name:
Title:

Date: _____ __, 20[ ]

EXHIBIT F-3

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of January 10, 2019 (as amended, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), among ALLETE, Inc., each lender from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

Pursuant to the provisions of Section 3.7 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]
By:
Name:
Title:

Date: _____ __, 20[ ]

EXHIBIT F-4

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE
(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of January 10, 2019 (as amended, supplemented or otherwise modified from time to time, the "***Credit Agreement***"), among ALLETE, Inc., each lender from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

Pursuant to the provisions of Section 3.7 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any promissory note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any promissory note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]
By:
Name:
Title:

Date: _____ __, 20[ ]

ALLETE Executive Annual Incentive Plan
Form of Award
Effective 2019

[Eligible Executive Employees]

Target Award Opportunity

Base Salary	$
Times	
Award Opportunity (percent of base salary)	%
Equals	
Target Award	$

Performance Levels and Award Amounts

Goal Performance Level	Payout as Percent of Target Award	Award Amount
Superior	200%	$
Target	100%	$
Threshold	45%	$
Below Threshold	0%	$

Goals

	Goal Weighting
Financial Goals	
Net Income	**50%**
Cash from Operating Activities	**25%**
Strategic & Operational & Values Goals	**25%**
	100%

Compensation Subject to Compensation Recovery Policy

Annual Incentive Plan Compensation is subject to recoupment as defined in the Compensation Recovery policy.

ALLETE AND AFFILIATED COMPANIES

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN II

Amended and Restated Effective January 1, 2019

TABLE OF CONTENTS

ALLETE AND AFFILIATED COMPANIES

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN II

Effective January 1, 2018

ARTICLE 1

Establishment, Purpose and Intent

1.1 **Establishment**. This document includes the terms of the ALLETE and Affiliated Companies Supplemental Executive Retirement Plan II. The purpose of SERP II is to provide eligible Employees an opportunity to elect to defer compensation. SERP II also provides eligible Employees a supplemental Retirement Benefit designed to compensate for annual compensation limits and maximum benefit limitations imposed by the Code on Retirement Plans maintained by the Company.

SERP II is a successor to the ALLETE and Affiliated Companies Supplemental Executive Retirement Plan ("SERP I"). On December 31, 2004, the Company froze SERP I with respect to all deferrals and vested accrued Retirement Benefits (if any). On January 1, 2005, the Company established SERP II to govern (a) amounts initially deferred after December 31, 2004 and investment earnings thereon; (b) Retirement Benefit accruals after December 31, 2004; and (c) accrued but unvested SERP I Retirement Benefits as of December 31, 2004. From January 1, 2005 to the effective date hereof, the Company operated and administered the Plan in all material respects in good faith compliance with the applicable requirements of Section 409A, the final and proposed Treasury Regulations, IRS Notice 2005-1, and all other IRS guidance. The Company amended and restated SERP II in its entirety, effective January 1, 2009, to comply with Section 409A. The Company intends that SERP II constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees within the meaning of ERISA sections 201(2), 301(a)(3) and 401(a)(1). All provisions of SERP II shall be interpreted and administered to the extent possible in a manner consistent with the stated intentions.

Effective January 20, 2009, the Company amended SERP II to narrow the salary-grade eligibility requirements to receive an Annual Make-Up Award for employees who first became eligible to participate in SERP II after September 30, 2006.

Effective January 1, 2011, the Company amended SERP II to incorporate any compensation recovery policy adopted by the Company and to provide that certain benefits may be subject to forfeiture for Misconduct.

Effective January 1, 2015, the Company amended SERP II to reflect the reduction to the Flexible Dollar Makeup in connection with amendments to the ALLETE and Affiliated Companies Flexible Compensation Plan that eliminate the life insurance percentage (age-rated) flexible dollars benefit commencing with the Plan Year that begins on January 1, 2015.

Effective January 1, 2019, the Company hereby amends SERP II to and to narrow the salary-grade eligibility requirements to defer compensation, to reflect the discontinuation of additional non-elective 162(m) Deferrals beginning with the Plan Year that commences on January 1, 2019 , to freeze credited service as of December 31, 2018, for all Participants eligible for a SERP II Retirement Benefit, and to modify the amount of the Annual Make-up Award.

Capitalized terms, unless otherwise defined herein, shall have the meaning provided in Appendix A.

1.2 **Compensation Recovery Policy.** All amounts payable to Participants in accordance with this Plan are subject to, and the Company hereby incorporates into this SERP II, the terms of any compensation recovery policy or policies established and amended by the Company from time to time ("Compensation Recovery Policy").

ARTICLE 2

Section 409A Plans and Organization

2.1 **Section 409A Plans.**

The provisions of SERP II include terms and conditions applicable to the following 409A Plans:

2.1.1 An elective account balance plan for Employees for purposes of Elective Deferrals;

2.1.2 A non-elective account balance plan for Employees for purposes of Non-Elective Deferrals; and

2.1.3 A non-account balance plan for Employees.

2.2 **Organization.**

Except as otherwise provided in this section or in a specific section, all provisions of the Plan apply to all amounts deferred under any Article of the Plan.

2.2.1 The provisions of Article 5 apply only for purposes of identifying employees eligible to receive an Annual Make-Up Award and the amount of the award, if any.

2.2.2 The provisions of Articles 6 and 7 apply only to the extent that SERP II provides for Employees' Elective Deferrals, or Non-Elective Deferrals or both, which, for purposes of Section 409A, represent the elective and non-elective account balance plans identified in subsections 2.1.1 and 2.1.2, respectively.

2.2.3 The provisions of Article 8 apply only to the extent that SERP II provides for Retirement Benefits, which represent the non-account balance plan identified in subsection 2.1.3.

2.3 **Section 409A Compliance.**

To the extent that any provision of the Plan would cause a conflict with the requirements of Section 409A, or would cause the administration of the Plan to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment to a Participant.

ARTICLE 3

Administration

3.1 **Administrator.**

The Administrator shall administer the Plan or may delegate any of its duties to such other person or persons from time to time as it may designate. Members of the Employee Benefit Plans Committee may participate in SERP II; however, any individual serving on the Employee Benefit Plans Committee shall not vote or act on any matter relating solely to himself or herself.

3.2 **Duties.**

The Administrator has the authority to construe and interpret all provisions of the Plan and, to the extent permitted by Section 409A, the Administrator is authorized to remedy any errors, inconsistencies or omissions, to resolve any ambiguities, to adopt rules and practices concerning the administration of the Plan, and to make any determinations and calculations necessary or appropriate hereunder. The Company shall pay all expenses and liabilities incurred in connection with Plan administration.

3.3 **Agents.**

The Administrator may engage the services of accountants, attorneys, actuaries, investment consultants, and such other professional personnel as are deemed necessary or advisable to assist in fulfilling the Administrator's responsibilities. The Administrator, the Company and the Board may rely upon the advice, opinions or valuations of any such persons.

3.4 **Binding Effect of Decisions.**

The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan. Neither the Administrator, its delegates, nor the Board shall be personally liable for any good faith action, determination or interpretation with respect to the Plan, and each shall be fully protected by the Company in respect of any such action, determination or interpretation.

3.5 **Employer Information.**

To enable the Administrator to perform its duties, each Employer shall supply full and timely information to the Administrator on all matters relating to the compensation of its Participants, the date and circumstances of the Participant's death, Disability or Separation from Service, and other pertinent information as the Administrator may reasonably require.

ARTICLE 4
Participation

4.1 **Eligibility and Commencement of Participation.**

Eligible Employees may participate in the Plan, except to the extent provided in Section 8.1 regarding eligibility for Retirement Benefits. Each Plan Year, the Administrator shall notify Eligible Employees of their eligibility to participate in the Plan during the following Plan Year. An Eligible Employee shall become a Participant either upon the initial submission of an election form on which the Eligible Employee has elected Elective Deferrals or upon first receiving an allocation of Non-Elective Deferrals.

4.2 **Special Rule for Initial Participation.**

Within 30 days after the date an individual first becomes an Eligible Employee, the individual may elect to commence participating with respect to compensation to be paid for services performed after the election is filed. This election relating to initial participation in the Plan is available only to Participants who do not participate in any Aggregated Plans. If an Employee whose participation in the Plan is terminated again becomes an Eligible Employee, he or she may elect to defer pursuant to this Section only if the Employee was ineligible to defer compensation in this Plan and all other Related Company elective account balance plans, within the meaning of Section 409A, for the 24 months preceding the date on which the Participant again became eligible to participate in this Plan.

4.3 **Termination of Participation.**

If the Administrator determines in good faith that a Participant is no longer an Eligible Employee, the Participant shall cease active participation in the Plan on the last day of the Plan Year during which the Participant ceased to be an Eligible Employee, and the terms of this Plan shall continue to govern Participant's Account until the Participant's Account is paid in full.

ARTICLE 5

Annual Make-Up Award

5.1 **Eligibility.**

An Employee who: (i) was a Participant as of September 30, 2006, (ii) has continuously remained an Employee in ALLETE management salary grade SA-SM, and (iii) has continuously participated in the ALLETE Executive Annual Incentive Plan or been eligible to receive a Bonus shall be eligible to receive an Annual Make-up Award. Any other Employee shall be eligible to receive an Annual Make-up Award if the Employee: (i) initially becomes, or again becomes, a Participant after September 30, 2006, (ii) is in ALLETE management salary grade SG-SM, and (iii) participates in the ALLETE Executive Annual Incentive Plan or is eligible to receive a Bonus.

5.2 **Amount of Annual Make-Up Award.**

5.3 Commencing with the Plan Year that begins on January 1, 2019, the Annual Make-Up Award shall equal the product of 13% and an amount equal to the sum of: (a) the total of the Participant's Annual Incentive Award and other awards (to the extent included in calculations for the Retirement Plans) for such year, and (b) the Participant's Salary (determined as of October 1 of the prior Plan Year) in excess of the Code section 401(a)(17) limitation in effect for that Plan Year. **Payment.**

Except to the extent deferred in accordance with this Plan, the Annual Make-Up Award for any year shall be paid between January 1 and March 15 of the year following the year to which the award relates.

5.4 **Forfeiture of Annual Make-Up Award.** Notwithstanding any other term or provision of this Article 5, if a Participant engages in Misconduct, the Participant shall forfeit or repay, as necessary, any Annual Make-Up Award payable on account of the period during which the Misconduct occurred and any subsequent period. In addition, notwithstanding any other term or provison of this Article 5, if a Partipant has a Separation from Service that is not also a Retirement, the Participant shall forfeit any Annual Make-Up Award that has not yet been paid to the Participant.

ARTICLE 6

SERP II Account Balance Plan for Employees

6.1 **Elective Deferrals.**

6.1.1 **Eligibility.** Beginning with the Plan year that commences on January 1, 2019, only employees in ALLETE management salary grade SG-SM will be eligible to elect to make elective deferrals in accordance with this Article 6.

6.1.2 **Deferral Elections.** For each Plan Year, an eligible Participant may elect to defer some or all of Salary, Bonus, and, if eligible, an Annual Make-up Award, Severance Pay, and Other Awards. Elections are effective on a calendar year basis and become irrevocable no later than the date specified by the Administrator, but in any event before the beginning of the Plan Year to which the elections relate. An eligible Participant's elections will become effective only if the forms required by the Administrator have been properly completed and signed by the Participant, timely delivered to the Administrator, and accepted by the Administrator. An eligible Participant who fails to file elections before the required date will be treated as having elected not to defer any amounts for the following Plan Year. For any Plan Year the Administrator may, in its sole discretion, decide not to allow one or more Participants to defer certain types of compensation.

6.1.3 **Special Rule for Performance-Based Compensation.** The Administrator, in its complete and sole discretion, may allow a Participant to revise a deferral election with respect to a Bonus if the Administrator determines that the Bonus is performance-based compensation within the meaning of Section 409A and the election becomes irrevocable no later than the earlier of: (a) six months preceding the end of the performance period to which the Bonus relates; or (b) the date as of which the Bonus has become readily ascertainable, within the meaning of Section 409A.

6.1.4 **Special Rule for Severance Pay.** An eligible Participant may elect to defer all or a portion of Severance Pay by filing with the Administrator an irrevocable deferral election no later than the date the Participant obtains a legally binding right to the Severance Pay.

6.1.5 **Cancellation of Deferral Election due to Disability.** If an eligible Participant becomes disabled, the Administrator may, in its sole discretion, cancel the Participant's deferral election, with respect to amounts to be deferred on or after the cancellation, by the end of the year during which the Participant becomes disabled, or, if later, the 15th day of the third month following the date on which the Participant becomes disabled. For purposes of this Section, a Participant shall be disabled if the Participant is suffering from any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his position or any substantially similar position, if such impairment can be expected to result in death or can be expected to last for a continuous period of six months.

The Participant may elect to defer amounts for the Plan Year following his return to employment and for every Plan Year thereafter while an Eligible Employee, provided the Participant's deferral election otherwise complies with all of the requirements of this Section.

6.1.6 **Cancellation of Deferral Election due to Unforeseeable Emergency.** If an eligible Participant experiences an Unforeseeable Emergency during a Plan Year, the Participant may submit to the Administrator a written request to cancel Elective Deferrals for the Plan Year to satisfy the Unforeseeable Emergency. If the Administrator either approves the Participant's request to cancel Elective Deferrals for the Plan Year, or approves a request for a distribution of in accordance with Section 6.4.6, then effective as of the date the request is approved the Administrator shall cancel the Participant's deferral elections for the remainder of the Plan Year. A Participant whose Elective Deferrals are canceled during a Plan Year in accordance with this section may elect Elective Deferrals for the following Plan Year; provided, however, if required to comply with Treasury Regulations section 1.401(k)-1(d)(3), the Participant may not elect to defer any amounts attributable to periods less than six months from the date on which the Participant receives a distribution on account of an Unforeseeable Emergency.

6.1.7 **Withholding of Deferrals.** The Administrator will withhold Elective Deferrals not later than the end of the calendar year during which the Company would otherwise have paid the amounts to the Participant but for the Participant's deferral election. The Administrator will not withhold Elective Deferrals from a Participant's Salary during any period in which the Participant is on an unpaid leave of absence.

6.2 **Non-Elective Deferrals.** If the Administrator determines that an eligible Participant's Salary exceeds the Code section 401(a)(17) limit, the Administrator shall automatically credit the Participant's Annual Make-up Award to the Participant's Account

6.3 **FICA and Other Taxes.**

For each Plan Year during which a Participant has Deferrals, the Participant's Employer(s) shall, in a manner determined by the Employer(s), withhold the Participant's share of FICA and other required employment or state, local, and foreign taxes on Deferrals from that portion of the Participant's Salary, Bonus, Annual Make-up Award, Severance Pay, Other Award and in the event of a 162(m) Deferral, the Participant's compensation generally, that is not deferred. To the extent permitted by Section 409A, the Administrator may reduce a Participant's Deferrals to the extent necessary to pay FICA and other employment, state, local and foreign taxes.

6.4 **Distributions.**

The Plan provides for distributions in a Specified Year, or upon a Separation from Service, death, Disability, or Unforeseeable Emergency. At the time of a Participant's initial deferral election, a Participant may elect to receive a distribution: (i) with respect to Elective Deferrals, in a Specified Year; and (ii) with respect to all Deferrals, upon the earlier of Separation from Service, death or Disability. In each subsequent Plan year, a Participant may elect to have all or any portion of that year's Elective Deferrals distributed either in a Specified Year, subject to the restrictions in Section 6.4.1, or in accordance with the Participant's prior elections for distributions other than in a Specified Year. Except as otherwise provided in the Plan, a Participant's distribution elections are irrevocable and will govern the Deferrals to which the election relates until the amounts covered by the election are paid in full or until subsequently changed in accordance with Section 6.6. Notwithstanding any elections by a Participant, all distributions are subject to the provisions of Sections 1.2 and 6.5.

6.4.1 **Specified Year.** A Participant may elect to receive a distribution of Elective Deferrals in a Specified Year, which may be no earlier than the third Plan Year beginning after the date on which the Participant initially elects to receive a distribution in a Specified Year. Except as otherwise provided in this subsection or in Section 6.6, once a Participant has elected to receive a distribution in a Specified Year, the Participant may not elect to receive a distribution in a different Specified Year. Beginning during the year preceding any Specified Year previously elected by the Participant, the Participant may elect to receive a distribution of Elective Deferrals in a later Specified Year, subject, however, to the restrictions of this subsection. All amounts distributed in a Specified Year will be paid in a single lump sum.

6.4.2 **Separation from Service.** A Participant may elect to receive a distribution commencing either upon a Separation from Service, or during any of the first five years following the year of the Separation from Service. A Participant may elect to receive a distribution in the form of a lump sum, monthly installments over a period of five (5), ten (10), or fifteen (15) years, or a combination of both a lump sum and installments.

6.4.3 **Disability.** A Participant may elect to receive a distribution on account of Disability. Distributions upon Disability will commence on the earlier of the Participant's 65th birthday or the second anniversary of the Disability, unless changed in accordance with Section 6.6. A Participant may elect to receive the distribution in the form of a lump sum, monthly installments over a period of five (5), ten (10), or fifteen (15) years, or a combination of both a lump sum and installments. Notwithstanding any other election by a Participant relating to a distribution upon Disability, if a Participant dies after commencement of a Disability but before the year during which distributions would commence, the Participant's Account shall be distributed in accordance with the Participant's election regarding distributions upon death.

6.4.4 **Death.** A Participant may elect to receive a distribution commencing upon death or during any of the first five years following the year of death. A Participant may elect to receive a distribution in the form of a lump sum, monthly installments over a period of five (5), ten (10), or fifteen (15) years, or a combination of both a lump sum and installments.

6.4.5 **Unforeseeable Emergency.** A Participant may submit a written request for a distribution on account of an Unforeseeable Emergency. Upon approval by the Administrator of a Participant's request, the Participant's Account, or that portion of a Participant's Account deemed necessary by the Administrator to satisfy the Unforeseeable Emergency (determined in a manner consistent with Section 409A) plus amounts necessary to pay taxes reasonably anticipated because of the distribution, will be distributed in a single lump sum.

6.5 **Additional Distribution Rules.**

6.5.1 **Default Time and Form of Distribution.** If a Participant fails timely to elect a time and form of distribution, the Participant's Account will be distributed upon any Separation from Service, including death, in the form of a single lump sum payment.

6.5.2 **Commencement of Distributions.** Except as otherwise provided in this section, if a Participant has elected to receive a distribution commencing upon a Distribution Event, or if a distribution is required upon a Distribution Event, distribution will commence between the date of the Distribution Event and the end of the year in which the Distribution Event occurs. If a Participant has elected, or is required, to receive a distribution commencing upon a Distribution Event, and the Distribution Event occurs on or after October 1 of a Plan Year, the distribution may, to the extent permitted by Section 409A, commence after the Distribution Event and on or before the 15th day of the third calendar month following the Distribution Event, even if after the end of the year during which the Distribution Event occurs; provided, however, the Participant will not be permitted, directly or indirectly, to designate the taxable year of the distribution. If a Participant has elected to receive a distribution commencing during any of the first five years following the year of a Distribution Event, the distribution will commence during the year elected by the Participant. If a Participant has elected to receive a distribution in a Specified Year, the distribution will occur during the Specified Year. Any distribution that complies with this section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

6.5.3 **Installments.** If a Participant elects to receive distributions in monthly installments, the Participant's Account will be paid in substantially equal monthly installments in consecutive years over the period elected by the Participant. Each monthly installment will be paid during the Plan Year in which it is due, commencing as described in Section 6.5.2. During the Plan Year in which distributions commence, the Participant will receive one installment for each calendar month beginning after the date of the Distribution Event, or, if the Participant has elected to receive a distribution commencing during any of the first five years following the year of a Distribution Event, one monthly installment for each calendar month beginning after the anniversary date of the Distribution Event. For deferrals made in connection with any Plan Year that commenced on or before January 1, 2018, during the distribution period, the Participant's Account will be credited with interest compounded monthly at a rate of 7.5% per year. For deferrals made in connection with any Plan Year that commences on or after January 1, 2019, the Participant's Account will be credited or debited with notional gains and losses based on the investment funds selected by the Participant, from among the options provided by the Company, until all amounts credited have been distributed. Any installment distribution that complies with this section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

6.5.4 **Death After Commencement of Distributions.** Upon the death of a Participant after distributions of the Participant's Account have commenced, the balance of the Participant's Account will be distributed to the Participant's Beneficiary at the same times and in the same forms that the Account would have been distributed to the Participant if the Participant had survived.

6.5.5 **Distributions to Specified Employees.** Notwithstanding anything to the contrary in this Plan, if a Participant becomes entitled to a distribution on account of a Separation from Service and is a Specified Employee on the date of the Separation from Service, distributions shall not commence until the earlier of: (i) the expiration of the six-month period beginning on the date of Participant's Separation from Service, or (ii) the date of Participant's death. Payments to which a Specified Employee would otherwise be entitled during this six-month period shall be accumulated and paid, together with earnings that have accrued during this six-month delay, during the seventh month following the date of the Participant's Separation from Service, or, if earlier, the date of the Participant's death.

6.5.6 **Effect of Change in Control.** Notwithstanding a Participant's elections regarding distributions upon a Separation from Service and a distribution in a Specified Year, if (a) the Participant has a Separation from Service within two years following a Change in Control or (b) a Change in Control occurs within six months after the Participant has a Separation from Service, the Participant shall receive a distribution of the Participant's entire Account in a single lump sum upon the later of the Separation from Service or the Change in Control, whether or not distributions have already commenced.

6.6 **Subsequent Changes in Time and Form of Distributions.**

A Participant may, in accordance with rules, procedures and forms specified from time to time by the Administrator, elect to change the time of commencement or change the form in which the Participant's Account is distributed or both, provided that: (i) the Participant elects at least twelve (12) months prior to the date on which payments are otherwise scheduled to commence; (ii) the new election does not take effect for at least twelve (12) months; and (iii) with respect to changes applicable to distributions in a Specified Year or upon Separation from Service, the distributions must be deferred for at least five (5) years from the date the distributions would otherwise have been paid, or in the case of installment payments, five (5) years from the date the installments were scheduled to commence. For purposes of this section, distributions on account of a Specified Year are considered scheduled to commence on January 1 of the Specified Year and all other distributions are considered to commence on the date of the Distribution Event, or if the Participant has elected a later year for commencement, January 1 of the year elected by the Participant. Any election in accordance with this section to change the time or form or both shall be irrevocable on the date it is filed with the Administrator unless subsequently changed pursuant to this Section.

ARTICLE 7

Accounts and Investments

7.1 **Establishment of Accounts.**

The Company will establish notional accounts for each Participant as the Administrator deems necessary or advisable from time to time. The Company will establish a Participant's Account at the earlier of the time a Participant first elects to defer any amounts into the Account or the time the Company first credits non-elective amounts to the Account. Each Account shall be credited as appropriate with deferrals and earnings with respect to deferrals and debited for distributions from the Account.

7.2 **Timing of Credits to Accounts.**

The Administrator shall credit a Participant's Elective Deferrals to the Participant's Account(s) not later than the end of the calendar year during which the Company would otherwise have paid the amounts to the Participant but for the Participant's deferral election. The Administrator shall credit Non-Elective Deferrals at such times and in such amounts as the Administrator determines.

7.3 **Vesting.**

All Participant Accounts are fully vested at all times.

7.4 **Investments.**

The Administrator may select investment funds to use for measuring notional gains and losses credited or debited to Participant's Accounts. The Administrator will establish, from time to time, rules and procedures for allowing each Participant who has not had a Distribution Event to designate which one or more of the selected investment funds will be used to determine the notional gains and losses credited or debited to the Participant's Accounts prior to commencement of distributions.

7.5 **Valuation Date.**

As of each Valuation Date, each Account will be adjusted to reflect the effect of notional investment gains or losses, additions, distributions, transfers and all other transactions with respect to that Account since the previous Valuation Date.

ARTICLE 8

SERP II Retirement Benefit

8.1 **Eligibility.**

The provisions of Article 8 apply only to Eligible Employees who were eligible for Retirement Benefits on September 30, 2006. Effective October 1, 2006, the Company froze eligibility for Retirement Benefits and individuals who were not Participants on that date are not eligible for Retirement Benefits. Any Participant who was accruing Retirement Benefits on September 30, 2006 or who was eligible to accrue Retirement Benefits on that date because the Participant received an Annual Incentive Award or Other Award and was serving in management salary grades SA - SM, will remain eligible for Retirement Benefits in accordance with this section; provided the Participant remains an Employee of a Related Company.

8.2 **Vesting; Forfeiture of Unvested Retirement Benefit.**

Participants will fully vest in the Retirement Benefit upon: (i) Retirement; (ii) becoming Disabled after attaining both age 50 and 10 years of Vesting Service; or (iii) upon attaining age 50 and 10 years of Vesting Service after becoming Disabled. Participants will forfeit unvested Retirement Benefits and prior years of Vesting Service upon Separation from Service or death prior to full vesting.

8.3 **Retirement Benefit.**

The amount of the Retirement Benefit shall equal a single life annuity determined in the manner provided in the Retirement Plans, including any applicable early retirement factors and cost of living adjustments, but using a Participant's Final Average Earnings and years of Credited Service as described in this section.

8.3.1 **Final Average Earnings.** Final Average Earnings include the sum of: (i) the Participant's four highest consecutive Annual Incentive Awards and Other Awards within the "applicable 15-year period," and (ii) the Participant's highest Basic Compensation during any consecutive 48-month period within the "applicable 15-year period" to the extent that Basic Compensation exceeds the limitation on compensation imposed by Code section 401(a)(17). Compensation in excess of the limitation on compensation imposed by Code section 401(a)(17) shall be determined by using the limit in effect on the first day of the 48-month period described in (i) and the next three anniversaries of that date. With respect to a Participant who becomes entitled to a distribution upon Retirement, the "applicable 15-year period" shall be the fifteen (15) years preceding the date of Retirement. With respect to a Participant who becomes entitled to a distribution because of Disability, the "applicable 15-year period" shall be the 15-year period that: (i) ends no earlier than the Participant's Disability and no later than the Participant's sixty-fifth (65^{th}) birthday; and (ii) would result in the greatest Retirement Benefit.

8.3.2 **Years of Credited Service.** A Participant will receive credit for years of Credited Service after September 30, 2006, only to the extent that: (i) the Participant has been continuously employed since that date by a Related Company in management salary grades SA - SM; and (ii) distributions of Retirement Benefits have not commenced. Notwithstanding the foregoing, no Participant will receive credit for years of Credited Service after December 31, 2018.

8.4 **Forfeiture of Vested Retirement Benefit for Misconduct.** Notwithstanding any other term or condition in this Article 8, a Participant will forfeit any vested Retirement Benefit attributable to any year during which the Participant engaged in Misconduct and any subsequent period. For purposes of calculating the Retirement Benefit of any Participant who engaged in Misconduct, the Participant's Final Average Earnings and Years of Credited Service will exclude the period during which the Participant engaged in Misconduct and any subsequent period.

8.5 **Time and Form of Distributions.** Subject to the provisions of Section 8.6, a Participant will become entitled to a distribution of vested Retirement Benefits, in the form determined by this section, upon the earlier of: (i) Retirement; (ii) Disability; or (iii) solely with respect to a Participant who vests after becoming Disabled, the earlier of death or attainment of age 65.

8.5.1 **Election of Alternative Forms of Distribution.** A Participant may elect to receive the Retirement Benefit in one of the following forms, each of which shall be actuarially equivalent: (i) monthly installments over a 15-year period, (ii) a monthly life annuity, (iii) a lump sum payment; or (iv) a combination of a lump sum and either (i) or (ii). Actuarially equivalence will be calculated using actuarial factors adopted by the Administrator from time to time. Effective as of December 31, 2008, Participant elections regarding the form of distribution are irrevocable and will remain in effect until the Retirement Benefits are paid in full unless a Participant elects to change the time and form of payment in accordance with Section 8.7.

8.5.2 **Default Form of Payment.** If a Participant fails to elect a form of payment with respect to the Participant's Retirement Benefit before December 31, 2008, the Retirement Benefit will be paid in the form of monthly installments over a 15-year period unless the Participant elects to change the time and form of payment in accordance with Section 8.7.

8.6 **Additional Distribution Rules.**

8.6.1 **Commencement of Distributions.** Distributions on account of a Distribution Event other than Disability will commence between the date of the Distribution Event and the end of the year in which the Distribution Event occurs. If a Distribution Event other than Disability occurs on or after October 1 of a Plan Year, the distribution may, to the extent permitted by Section 409A, commence after the Distribution Event and on or before the 15th day of the third calendar month following the Distribution Event, even if after the end of the year during which the Distribution Event occurs; provided, however, the Participant will not be permitted, directly or indirectly, to designate the taxable year of the distribution. Any distribution that complies with this section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

8.6.2 **Distributions to Specified Employees.** Notwithstanding anything to the contrary in this Plan, if a Participant becomes entitled to a distribution on account of a Retirement and is a Specified Employee on the date of the Retirement, distributions shall not commence until the earlier of: (i) the expiration of the six-month period beginning on the date of Participant's Retirement, or (ii) the date of the Participant's death. Payments to which a Specified Employee would otherwise be entitled during this six-month period shall be accumulated and paid, together with earnings (calculated using the interest rate adopted by the Administrator for determining actuarial equivalence) that have accrued during this six-month delay, during the seventh month following the date of the Participant's Retirement, or, if earlier, the date of the Participant's death.

8.6.3 **Disability.** Unless subsequently changed in accordance with the Plan, distributions on account of Disability will commence on the earlier of the Participant's 65th birthday or the second anniversary of the Disability.

8.6.4 **Annuity Payments and Installments.** If a Participant elects to receive all or a portion of the distributions in monthly installments, that portion to be paid in installments will be paid in substantially equal monthly installments in consecutive months over a 15-year period. If a Participant elects to receive all or a portion of the distributions in the form of a life annuity, that portion to be paid as a life annuity will be paid in monthly installments in consecutive months for the remainder of the Participant's life, in the case of a unmarried Participant, and in the case of a married Participant over the lives of the Participant and the Participant's Eligible Surviving Spouse. Each monthly installment or life annuity payment will be paid during the Plan Year in which it is due, commencing as described in Section 8.6.1. During the Plan Year in which distributions commence, the Participant will receive one installment or life annuity payment for each calendar month beginning after the date of the Distribution Event. If the Participant has elected to be paid in installments, during the distribution period the portion of the Participant's Account to be paid in installments will be credited with interest compounded monthly at the interest rate used by the Administrator to determine actuarial equivalence. Any distribution that complies with this section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

8.6.5 **Death After Commencement of Benefits.** Upon the death of a Participant after distributions of the Participant's Retirement Benefit have commenced, the remainder of the Participant's Retirement Benefit will continue to be distributed to the Participant's Beneficiary at the same time and in the same form as the benefit would have been distributed to the Participant had the Participant survived, except to the extent that the Participant had elected a life annuity: (i) if the Participant has an Eligible Surviving Spouse on the date of death, the surviving spouse will receive 60% of the Participant's life annuity benefit for the remainder of the spouse's life and (ii) if the Participant does not have an Eligible Surviving Spouse, the annuity will cease as of the first day of the month following the month during which the Participant died.

8.6.6 **Effect of Change of Control.** With respect to any Participant whose Retirement Benefit distributions have commenced, or would commence, upon a Separation from Service, if (a) the Participant's Separation from Service occurs within two years following a Change in Control or (b) a Change in Control occurs within six months after the Participant's Separation from Service, then notwithstanding the Participant's elections regarding distributions upon a Separation from Service, the Participant shall receive a distribution of the Participant's entire remaining vested Retirement Benefit in a single lump sum upon the later of the Separation

from Service or the Change in Control, whether or not distributions have already commenced. Any Retirement Benefit that does not become payable in a lump sum in accordance with this section will vest, if at all, in accordance with Section 8.2, will become payable in accordance with Section 8.5, and will otherwise remain subject to the provisions of Article 8.

8.7 **Subsequent Changes in Time and Form of Payment.**

A Participant may, in accordance with rules, procedures and forms specified from time to time by the Administrator, elect to change the form in which the Participant's Retirement Benefit is distributed, provided that: (i) the Participant elects at least twelve (12) months prior to the date on which payments are otherwise scheduled to commence; (ii) the new election does not take effect for at least twelve (12) months; and (iii) with respect to changes applicable to distributions upon Retirement or, solely with respect to a Participant who vests after becoming Disabled, distributions upon attaining age 65, distributions must be deferred for at least five years from the date the distributions would otherwise have been paid, or in the case of installment payments or life annuity payments, five years from the date the installments or life annuity payments were scheduled to commence. Any such election shall be irrevocable on the date it is filed with the Administrator unless subsequently changed pursuant to this section. For purposes of this section, distributions are considered to commence on the date of the Distribution Event.

8.8 **FICA and Other Taxes.**

At the time of a Participant's Distribution Event, the Participant's Employer(s) shall, in a manner determined by the Employer(s), calculate the FICA and other required employment or state, local, and foreign taxes due on the lump sum present value, calculated using the factors adopted by the Administrator for determining actuarial equivalence, of the Participant's Retirement Benefit and shall reduce the Participant's Retirement Benefit by the amount of any such taxes payable by the Participant. The amount of the Participant's Retirement Benefit remaining after reduction for any taxes shall be payable in accordance with Sections 8.6 and 8.7.

ARTICLE 9

Payment Acceleration and Delay

9.1 **Permitted Accelerations of Payment.**

Except as otherwise provided herein or permitted by Section 409A, the Plan prohibits the acceleration of the time or schedule of any payment due under the Plan.

9.1.1 **Distribution in the Event of Taxation.** If, for any reason, all or any portion of any benefit provided by the Plan becomes taxable to a Participant because of a violation of Section 409A prior to receipt, the Participant may file a written request with the Administrator for a distribution of that portion of the Plan benefit that has become taxable. Upon the grant of such a request, which grant shall not be unreasonably withheld, the Participant shall receive a distribution equal to the taxable portion of the Plan benefit. If the request is granted, the tax liability distribution shall be paid between the date on which the Participant's request is approved and the end of the Plan Year during which the approval occurred, or if later, the 15th day of the third calendar month following the date on which the Participant's request is approved.

9.1.2 **Compliance with Ethics Laws or Conflicts of Interests Laws.** The Administrator is authorized, in its sole discretion, to accelerate the time or schedule of a payment to the extent necessary to avoid the violation of any applicable federal, state, local, or foreign ethics law or conflicts of interest law as provided in Section 409A.

9.1.3 **Small Accounts.** The Administrator may, in its sole discretion, distribute in a single lump sum the aggregate amounts of Deferrals or Elective Deferrals or both credited to the Participant's Account, along with any related earnings, provided: (i) the distribution results in the payment of the Participant's entire interest in the Account and all Aggregated Plans, and (ii) the total payment does not exceed the applicable dollar limit under Code section 402(g)(1)(B). The Administrator shall notify the Participant in writing if the Administrator exercises its discretion pursuant to this Section.

9.1.4 **Settlement of a Bona Fide Dispute.** The Administrator may, in its sole discretion, accelerate the time or schedule of a distribution as part of a settlement of a bona fide dispute between the Participant and the Employer over the Participant's right to a distribution provided that the distribution relates only to the deferred compensation in dispute and the Employer is not experiencing a downturn in financial health.

9.1.5 **Settlement of Debt.** The Administrator may, in its sole discretion, accelerate the time or schedule of a payment to satisfy an ordinary debt owed by the Participant to the Employer at the time the debt becomes due as provided in Section 409A.

9.2 **Permissible Payment Delays.**

Notwithstanding anything in the Plan to the contrary, to the extent permitted by Section 409A, the Administrator may, in its sole discretion, delay a distribution to a Participant:

9.2.1 If the distribution would jeopardize the Employer's ability to continue as a going concern, provided that the delayed amount is distributed in the first calendar year in which the payment would not have such effect.

9.2.2 If the Company reasonably anticipates that its deduction with respect to a distribution, if paid as scheduled, could be limited or barred by the application of Code section 162(m), provided the delayed amount is distributed in the first calendar year in which the Company reasonably anticipates that the deduction would not be limited or barred by the application of Code section 162(m).

9.2.3 If the distribution would violate Federal securities or other applicable laws, provided that the delayed amount is distributed at the earliest date at which the Administrator reasonably anticipates that the distribution will not cause such violation.

9.2.4 If calculation of the distribution is not administratively practicable due to events beyond the control of the Participant, provided that the delayed amount is distributed in the first calendar year in which the calculation of the distribution is administratively practicable.

9.3 **Suspension Not Allowed.**

If a Participant whose distributions have commenced becomes eligible again to defer compensation as a Participant in any plan subject to Section 409A maintained by a Related Company, distribution of the Participant's Retirement Benefit or Account may not be suspended.

ARTICLE 10

Beneficiary Designation

10.1 **Beneficiary.**

Each Participant shall have the right, in accordance with procedures established from time to time by the Administrator, to designate a Beneficiary(ies) (both primary as well as contingent) to whom Plan benefits shall, if permitted by the Plan, be paid if a Participant dies prior to complete distribution of benefits. Each Beneficiary designation shall be in a written form prescribed by the Administrator, and will be effective only when filed with the Administrator during the Participant's lifetime. Any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by filing a new Beneficiary designation with the Administrator. The most recent Beneficiary designation received by the Administrator shall control the payment of all benefits under the Plan in the event of the Participant's death.

10.2 **No Beneficiary Designation.**

In the absence of an effective Beneficiary designation, or if all designated Beneficiaries predecease the Participant or die prior to the complete distribution of the Participant's benefits, benefits shall be paid in the following order of precedence: (a) the Participant's surviving spouse; (b) the Participant's children (including adopted children), per stirpes; or (c) the Participant's estate.

ARTICLE 11

Claims Procedures

11.1 **Presentation of Claim.**

Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may file with the Administrator a written claim for a determination with respect to Plan benefits. The claim must state with particularity the determination desired by the Claimant.

11.2 **Notification of Decision.**

The Administrator shall consider a Claimant's claim, and, except as provided below, within 90 days after the claim is received, shall notify the Claimant in writing:

11.2.1 That the claim has been allowed in full; or

11.2.2 That the claim has been denied, in whole or in part, and such notice must set forth in a manner calculated to be understood by the Claimant:

(a) The specific reason(s) for the denial of the claim, or any part of it;

(b) Specific reference(s) to pertinent provisions of the Plan upon which such denial was based;

(c) A description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and

(d) An explanation of the claim review procedures and time limits, including a statement of the Claimant's right to initiate a civil action pursuant to section 502(a) of ERISA following an adverse determination upon review.

11.2.3 If the Administrator determines that an extension of time for processing is required, written notice of the extension shall be furnished to the Claimant prior to termination of the original 90-day period. In no event shall such extension exceed 90 days from the end of such initial period.

11.2.4 In the case of a claim for disability benefits, the Administrator shall notify the Claimant, in accordance with subsection 11.2.2 above, within 45 days after the claim is received. The notification shall advise the Claimant whether the Administrator's denial relied upon any specific rule, guideline, protocol or scientific or clinical judgment.

11.2.5 In the case of a claim for disability benefits, if the Administrator determines that an extension of time for processing is required due to matters beyond the control of the Plan, written notice of the extension shall be furnished to the Claimant prior to termination of the original 45-day period. Such extension shall not exceed 30 days from the end of the initial period. If, prior to the end of the first 30-day extension period, the Administrator determines that, due to matters beyond the control of the Plan, an additional extension of time for processing is required, written notice of a second 30-day extension shall be furnished to the Claimant prior to termination of the first 30-day extension.

11.3 **Review of a Denied Claim.**

Within 90 days after receiving a notice from the Administrator that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file a written request for a review of the denial of the claim and of pertinent documents. The Claimant (or the Claimant's duly authorized representative):

11.3.1 May request reasonable access to, and copies of, all documents, records, and other information relevant to the claim, which shall be provided to Claimant free of charge; and

11.3.2 May submit written comments or other documents.

11.4 **Decision on Review.**

The Administrator shall review all comments or other documents submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Administrator shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial (or, if other special circumstances require additional time and written notice of such extension and circumstances is given to the Claimant within the initial 60-day period). The Administrator shall notify the Claimant, in language calculated to be understood by the Claimant:

11.4.1 That the claim has been allowed in full; or

11.4.2 That the claim has been denied, in whole or in part, and such notice must set forth:

(a) Specific reasons for the decision;

(b) Specific reference(s) to the pertinent Plan provisions upon which the decision was based;

(c) A statement that Claimant is entitled to reasonable access to, and copies of, all documents, records or other information relevant to the claim upon request and free of charge;

(d) A statement regarding the Claimant's right to initiate an action pursuant to section 502(a) of ERISA; and

(e) Such other matters as the Administrator deems relevant.

11.4.3 In the case of a claim for disability benefits, the notice shall set forth:

(a) Whether the Administrator's denial relied upon any specific rule, guideline, protocol or scientific or clinical judgment; and

(b) The following statement: "You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

11.5 **Other Remedies.**

A Claimant's compliance with the foregoing procedures is a mandatory prerequisite to a Claimant's right to pursue any other remedy with respect to any claim relating to this Plan.

ARTICLE 12

Amendment or Termination

The Company hereby reserves the right to amend, modify, or terminate any one or more of the 409A Plans, at any time by action of the Board, with or without prior notice. No amendment or termination shall reduce any Participant's Account or Retirement Benefit without the written consent of the affected Participant. Notwithstanding anything herein to the contrary, to the extent consistent with Section 409A, the Board may terminate the Plan and distribute to each Participant the Participant's Account and the Participant's Retirement Benefit, if any, in a lump sum; provided that all distributions (i) commence no earlier than the date that is twelve (12) months following the termination date (or any earlier date that would comply with Section 409A) and (ii) are completed by the date that is twenty-four (24) months following the termination date (or any later date that would comply with Section 409A). In addition, payments may be accelerated upon termination of any 409A Plan only if, to the extent required under Section 409A, (i) the Company terminates all Aggregated Plans, and (ii) for three years following the date of termination of the 409A Plan, the Company does not adopt any new arrangement that would have been an Aggregated Plan of the terminated 409A Plan.

ARTICLE 13

Miscellaneous Provisions

13.1 **Unsecured General Creditor.**

Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

13.2 **Employer's Liability.**

An Employer's liability for benefits shall be defined only by the Plan. An Employer shall have no obligation to a Participant except as expressly provided in the Plan.

13.3 **Nonassignability.**

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

13.4 **No Right to Employment.**

Nothing contained in this Plan or any documents relating to the Plan shall: (a) confer on a Participant any right to continue in the employ of a Related Company, (b) constitute any contract or agreement of employment, (c) interfere with the right of a Related Company to terminate the Participant's employment at any time, with or without cause.

13.5 **Incompetency.**

If the Administrator determines that a distribution under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Administrator may direct such distribution to be paid to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Administrator may require proof of majority, competence, capacity, guardianship, or status as a legal representative as it may deem appropriate prior to distribution of a payment. Any distribution shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability for such payment amount.

13.6 **Tax Withholding.**

To the extent required by the law in effect at the time of any distribution, the Participant's Employer shall withhold from any payments to a Participant hereunder any taxes required to be withheld by the federal or any state or local government, in amounts and in a manner to be determined in the sole discretion of the Employer(s).

13.7 **Furnishing Information.**

A Participant or his Beneficiary will cooperate with the Administrator by furnishing any and all information requested by the Administrator and take such other actions as may be requested in order to facilitate the administration of the Plan and the distributions hereunder, including but not limited to taking such physical examinations as the Administrator may deem necessary.

13.8 **Notice.**

Any notice or filing required or permitted under the Plan shall be sufficient if in writing and if (i) hand-delivered or sent by telecopy, (ii) sent by registered or certified mail, or (iii) sent by nationally-recognized overnight courier. Such notice shall be deemed given as of (i) the date of delivery if hand-delivered or sent by telecopy, (ii) as of the date shown on the postmark on the receipt for registration or certification, if delivery is by mail, or (iii) on the first business day after dispatch, if sent by nationally-recognized overnight courier.

13.9 **Gender and Number.**

Except when otherwise indicated by context, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural, and the plural shall include the singular.

13.10 **Headings.**

The headings contained in this Plan are for convenience only and will not control or affect the meaning or construction of any of the terms or provisions of this Plan.

13.11 **Applicable Law and Construction.**

The Plan shall be governed by, construed and administered in accordance with the applicable provisions of ERISA, and any other applicable Federal law, including Section 409A, and to the extent not preempted by Federal law, this Plan shall be governed by, construed and administered in accordance with the laws of the State of Minnesota, other than its laws respecting choice of law.

13.12 **Invalid or Unenforceable Provisions.**

If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Administrator may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.

13.13 **Successors.**

This Plan shall bind any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the obligations of the Company and each Employer under this Plan, in the same manner and to the same extent that the Company and each Employer would be required to perform if no such succession had taken place.

APPENDIX A

"162(m) Deferrals" means the portion of a Participant's Annual Incentive Award for a Plan Year ending on or before December 31, 2018, that the Company reasonably anticipates is not deductible by the application of Code section 162(m).

"409A Plan" means one of the separate non-qualified deferred compensation arrangements described in Section 2.1.

"Account" means the Company's bookkeeping entry representing a Participant's Deferrals, and such other accounts or sub-accounts as the Administrator deems necessary or appropriate.

"Administrator" means the Employee Benefit Plans Committee appointed by the Board or delegates of the Employee Benefit Plans Committee.

"Aggregated Plans" means, with respect to any 409A Plan, that plan and all other non-qualified deferred compensation plans which must be aggregated with that plan in accordance with the plan aggregation rules of Section 409A.

"Annual Incentive Award" means the annual award received by a Participant under the ALLETE Executive Annual Incentive Plan or any predecessor or successor plan.

"Basic Compensation" shall have the meaning prescribed in Retirement Plan A, but shall be calculated without regard to the limitation on compensation imposed by Code section 401(a)(17).

"Beneficiary" means one or more persons, trusts, estates or other entities, designated in accordance this Plan, that are entitled to receive Plan benefits upon the death of a Participant.

"Board" means the Board of Directors of the Company.

"Bonus" means any incentive compensation, including Annual Incentive Awards, that is payable to the Participant in addition to the Participant's Salary.

"Change in Control" means the earliest of:

(i) the date any one Person, or more than one Person acting as a group (as the term "group" is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires ownership of stock of the Company that, together with stock previously held by the acquirer, constitutes more than fifty (50%) percent of the total fair market value or total voting power of Company stock. If any one Person, or more than one Person acting as a group, is considered to own more than fifty (50%) percent of the total fair market value or total voting power of Company stock, the acquisition of additional stock by the same Person or Persons acting as a group does not cause a Change in Control. An increase in the percentage of stock owned by any one Person, or Persons acting as a group, as a result of a transaction in which Company acquires its stock in exchange for property, is treated as an acquisition of stock;

(ii) (b) the date any one Person, or more than one Person acting as a group (as the term "group" is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by that Person or Persons) ownership of Company stock possessing at least thirty (30%) percent of the total voting power of Company stock;

(iii) (c) the date a majority of the members of the Company's board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the board of directors prior to the date of appointment or election; or

(iv) (d) the date any one Person, or more than one Person acting as a group (as the term "group" is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by that Person or Persons) assets from the Company that have a total gross fair market value equal to at least forty (40%) percent of the total gross fair market value of all the Company's assets immediately prior to the acquisition or acquisitions. For this purpose, "gross fair market value" means the value of the corporation's assets, or the value of the assets being disposed of, without regard to any liabilities associated with these assets.

In determining whether a Change in Control occurs, the attribution rules of Code section 318 apply to determine stock ownership. The stock underlying a vested option is treated as owned by the individual who holds the vested option, and the stock underlying an unvested option is not treated as owned by the individual who holds the unvested option. The term "Person" used in this definition means any individual, corporation (including any non-profit corporation), general, limited or limited liability partnership, limited liability company, joint venture, estate, trust, firm, association, organization or other entity or any governmental or quasi-governmental authority, organization, agency or body.

"Claimant" shall have the meaning set forth in Section 11.1.

"Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

"Company" means ALLETE, Inc., a Minnesota Corporation, and any successor to all, or substantially all, of the Company's assets or business.

"Credited Service" shall have the meaning prescribed in the Retirement Plan A.

"Deferrals" means Elective Deferrals and Non-Elective Deferrals.

"Disability" or "Disabled" when used with an initial capital letter, means a physical or mental condition in which the Participant is:

(i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months;

(ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Employer's accident and health plan;

(iii) determined to be totally disabled by the Social Security Administration; or

(iv) disabled pursuant to an Employer-sponsored disability insurance arrangement provided that the definition of disability applied under such disability insurance program complies with the foregoing definition of Disability.

When the term "disability" (without an initial capital letter) is used in the Plan, it shall have the meaning prescribed in the definition of "Separation from Service."

"Distribution Event" means, with respect to Article 6, a Specified Year, a Separation from Service, death, Disability or the Administrator's determination regarding the occurrence of an Unforeseeable Emergency and, with respect to Article 8, Retirement, Disability or solely with respect to a Participant who vests after becoming Disabled, the earlier of death or attainment of age 65.

"Elective Deferrals" means any portion of a Participant's Salary, Bonus, Severance Pay, Annual Make-up Award or Other Award that a Participant irrevocably elects to defer.

"Eligible Employee" means an Employee in management salary grades SA-SM, who has been notified in writing by the Administrator of eligibility to participate in the Plan.

"Eligible Surviving Spouse" shall have the meaning prescribed in Retirement Plan A.

"Employee" means a person who is a common-law employee of any Related Company.

"Employer(s)" means the Company and any Related Company (now in existence or hereafter formed or acquired) that have been selected by the Administrator to participate in the Plan.

"ERISA" means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

"IRS" means the Internal Revenue Service.

"Misconduct" means the occurrence of either or both of the following, as determined in its sole discretion by either the Executive Compensation Committee of the Company's Board of Directors with respect to Section 16 Officers of the Company, or the Administrator with respect to any other Participant:

(a) an act or omission by the Participant involving dishonesty in connection with his or her responsibilities as an employee of the Company; or

(b) the Participant's conviction of, or entry of a plea of *nolo contendere* to, any felony or a misdemeanor involving moral turpitude, provided that a misdemeanor motor vehicle violation will not constitute a crime of moral turpitude unless it involves driving while impaired within the scope of employment or another serious driving offense committed within the scope of employment.

For purposes of clarifying the foregoing definition, Misconduct can occur regardless of whether the Company discovers the Misconduct before or after the Participant's Separation from Service and regardless of whether the Participant has a Separation from Service on account of the Misconduct.

"Non-Elective Deferrals" means 162(m) Deferrals and the Annual Make-up Award credited to the Account of any Participant whose Salary exceeds the Code section 401(a)(17) limit.

"Other Award" means an award, other than an Annual Incentive Award or Severance Pay, that a Participant may defer at the Administrator's discretion.

"Participant" means any Eligible Employee (i) who has elected to defer amounts under the Plan, (ii) who is eligible to receive a Retirement Benefit or (iii) whose compensation, or a portion thereof, was deferred as a Non-Elective Deferral.

"Plan" means SERP II.

"Plan Year" means a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

"Related Company" means the Company and all persons with whom the Company would be considered a single employer under Code section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single employer under Code section 414(c) (employees of partnerships, proprietorships, etc., under common control); provided that in applying Code sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code section 414(b), the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Code sections 1563(a)(1), (2), and (3), and in applying Treasury Regulations section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code section 414(c), "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Treasury Regulations section 1.414(c)-2.

"Retirement" means Separation from Service, for reasons other than death, on or after attaining both 50 years of age and 10 years of Vesting Service.

"Retirement Benefit" means the benefit payable pursuant to Article 8.

"Retirement Plans" mean the Minnesota Power and Affiliated Companies Retirement Plan A and Minnesota Power and Affiliated Companies Retirement Plan B, as amended from time to time.

"Retirement Savings and Stock Ownership Plan" or "RSOP" means the Minnesota Power and Affiliated Companies Retirement Savings and Stock Ownership Plan, as amended from time to time.

"Salary" means the Participant's earnings during a calendar year, before any reduction pursuant to Code sections 125, 132(f)(4), or 401(k) and this Plan. It does not include overtime compensation, if any, Bonuses, Annual Incentive Awards and Other Awards, expense reimbursements, allowances, commission payments, employer contributions or awards under this Plan or other employee benefit plans, imputed income (whether such imputed income is from vehicle use, life insurance premiums, or any other source) payments made pursuant to the Results Sharing Program, payment of stock options and performance shares under the Long Term Incentive Compensation Plan, and any other payments of a similar nature. In the case of a Participant who is employed jointly by the Company and an affiliated company (as defined in the RSOP), Salary as defined herein shall include amounts received from all such companies.

"Section 409A" means both section 409A of the Code and Treasury Regulations section 1.409A-1 et seq., as they both may be amended from time to time, and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

"Separation from Service" means that the Participant terminates employment within the meaning of Treasury Regulations section 1.409A-1(h) and other applicable guidance with all Related Companies. Whether a termination of employment has occurred is determined under the facts and circumstances, and a termination of employment shall occur if all Related Companies and the Participant reasonably anticipate that no further services shall be performed after a certain date or that the level of bona fide services the Participant shall perform after such date (as an employee or an independent contractor) shall permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Related Companies if the Participant has been providing services to the Related Companies less than 36 months). A Participant shall not be considered to separate from service during a bona fide leave of absence for less than six (6) months or longer if the Participant retains a right to reemployment with any Related Company by contract or statute. With respect to disability leave, a Participant shall not be considered to separate from service for 29 months unless the Participant otherwise terminates employment or is terminated by all Related Companies. For purposes of determining whether a Separation from Service has occurred on account of a disability, a Participant shall be disabled if the Participant is suffering from any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his position or any substantially similar position, if such impairment can be expected to result in death or can be expected to last for a continuous period of 6 months.

"SERP II" means the ALLETE and Affiliated Companies Supplemental Executive Retirement Plan II, as amended from time to time.

"Severance Pay" means the cash payment(s) to a Participant payable in connection with his Separation from Service in accordance with the terms of a severance arrangement that is the subject of bona fide, arm's length negotiations between a Related Company and the Participant at the time of the Separation from Service.

"Specified Year" means a calendar year during which a Participant has elected to receive a distribution of Elective Deferrals.

"Specified Employee" means an Employee who is subject to the six-month delay rule described in Code section 409A(2)(B)(i). The Board shall adopt guidelines for identifying Specified Employees in a manner consistent with Section 409A, and may amend the guidelines from time to time as permitted by Section 409A.

"Unforeseeable Emergency" means an unanticipated emergency that is caused by an event beyond the control of the Participant that would result in severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant or the Participant's spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code section 152, without regard to Code sections 152(b)(1), (b)(2), and (d)(1)(B)), (ii) a loss of the Participant's property due to casualty, or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Administrator.

"Valuation Date" means each day that the U.S. stock markets are open or such other dates as may be set by the Administrator from time to time.

"Vesting Service" shall have the meaning prescribed in the Retirement Plan A. Participants will continue to receive credit for Vesting Service after October 1, 2006. A Disabled Participant will receive credit for Vesting Service on account of any period after the commencement of the Disability during which the Participant is characterized as an active employee on the Related Company's employment records.

IN WITNESS WHEREOF, ALLETE, Inc. has caused these presents to be signed by its duly authorized officers, effective as of January 1, 2019.

ALLETE, Inc.

By:

Alan R. Hodnik

Its: Chairman, President and Chief Executive Officer

ATTEST

By:_____

Bethany M. Owen

Its: Senior Vice President, Chief Legal and Administrative Officer, and Secretary

ALLETE

EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK UNIT GRANT

[Effective 2019]

[Eligible Executive Employees]

Name

In accordance with the terms of ALLETE's Executive Long-Term Incentive Compensation Plan, as amended (the "Plan"), and as determined by and through the Executive Compensation Committee of ALLETE's Board of Directors, ALLETE hereby grants to you (the "Participant") Restricted Stock Units ("RSU's") as set forth below, payable in the form of ALLETE Common Stock, subject to the terms and conditions set forth in this Grant, including Annex A hereto, and all documents incorporated herein by reference:

Number of Restricted Stock Units:
Date of Grant:
Vesting Period:

This Grant is made in accordance with the Plan.

Further terms and conditions of the Grant are set forth in Annex A hereto, which is an integral part of this Grant.

Any term, provision or condition applicable to the Restricted Stock Units set forth in the Plan and not set forth herein is hereby incorporated by reference. To the extent any provision hereof is inconsistent with a Plan provision, the Plan provision will govern.

YOU SHOULD CAREFULLY READ AND REVIEW THE TERMS AND CONDITIONS SET FORTH IN THIS GRANT, INCLUDING ANNEX A HERETO, WHICH CONTAINS IMPORTANT INFORMATION, INCLUDING MANDATORY CLAIMS AND ARBITRATION PROCEDURES.

You will be deemed to have accepted this Grant on the Date of Grant, and all its associated terms and conditions, including the mandatory claims and arbitration procedures set forth in Annex A, unless you notify the Company of your non-acceptance of the Grant by contacting the Manager–Compensation and Benefits, in writing within sixty (60) days of the Date of Grant.

IN WITNESS WHEREOF, ALLETE has caused this Grant to be executed by its Chairman, President and Chief Executive Officer as of the date and year first above written.

ALLETE

By: _____
Chairman, President & CEO

Attachment: Annex A

ANNEX A
TO
ALLETE
EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

The grant of restricted stock units (each, a "RSU") under the ALLETE Executive Long-Term Incentive Compensation Plan (the "Plan"), evidenced by the Grant to which this is annexed, is subject to the following additional terms and conditions:

1. Form and Timing of Payment. Subject to the provisions hereof, each RSU will be paid in the form of one share of ALLETE common stock (each, a "Share"), plus accrued Dividend Equivalents. Shares will be deposited into your ALLETE Invest Direct plan account. Except as otherwise provided in sections 3 and 4, below, payment will be made during the period ending sixty days after the end of the vesting period; provided, however, the Participant will not be permitted, directly or indirectly, to designate the taxable year of the distribution. Payment will be subject to withholding Shares equal in value to the minimum amount of tax required to be withheld by law.

2. Dividend Equivalents. You will receive Dividend Equivalents in connection with the RSUs granted. Dividend Equivalents will be calculated and credited to you at the time the underlying RSUs are paid. Dividend Equivalents will be in the form of additional RSUs, which will be added to the number of RSUs subject to the grant, and will equal the number of Shares (including fractional Shares) that could have been purchased on applicable dividend payment dates, based on the closing ALLETE common stock price as reported in the consolidated transaction reporting system on that date, with cash dividends that would have been paid on the underlying RSUs, if such RSUs were Shares. Dividend Equivalents will only become payable if and to the extent the underlying RSUs vest and become payable.

3. Payment Upon Retirement, Death or Disability; Forfeiture Upon Other Termination of Employment, Default on Certain Agreements or Unsatisfactory Job Performance.

3.1 Subject to Section 3.4 below, if during the vesting period you (i) Retire, (ii) die while employed by a Related Company, or (iii) become Disabled, a portion of the unvested RSUs subject to the Grant will vest and be paid to you (or your beneficiary or estate) during the period ending sixty days after such event; provided, however, you will not be permitted, directly or indirectly, to designate the taxable year of the distribution. Except as otherwise provided in Section 4, payment pursuant to this Section 3.1 will be prorated, after giving effect to accumulated Dividend Equivalents, based on the number of whole calendar months within the vesting period that had elapsed as of the date of Retirement, death or Disability in relation to the number of calendar months in the vesting period. For purposes of this calculation, you will be credited with a whole month if you were employed on the 15th of the month.

3.2 Except as otherwise provided in Section 4, if during the vesting period or prior to payment of all RSUs you have a Separation from Service for any reason other than those specified in Section 3.1 above, all unvested or unpaid RSUs subject to the Grant (and related Dividend Equivalents) will be forfeited on the date of such Separation from Service.

3.3 If during the vesting period or prior to payment of all RSUs you are demoted, you default on any written agreement with a Related Company related to a restrictive employment covenant (such as confidentiality, non-disclosure, non-competition, non-solicitation, or the like), or if ALLETE determines, in its sole discretion, that your job performance is unsatisfactory, ALLETE may cancel or amend your grant relating to any unpaid RSUs, resulting in the forfeiture of some portion or all of your unpaid RSUs (and related Dividend Equivalents).

3.4 Notwithstanding anything herein to the contrary, if you become entitled to a payment of the RSUs by reason of your Retirement and if you are a Specified Employee on the date of such Retirement, payment shall not be made until the earlier of: (i) the expiration of the six-month period beginning on the date of your Retirement, or (ii) the date of your death. The payment to which a Specified Employee would otherwise be entitled during this six-month period shall be paid, together with Dividend Equivalents that have accrued during this six-month delay, during the seventh month following the date of the Participant's Retirement, or, if earlier, the date of the Participant's death.

4. Change in Control. Upon a Change in Control, unless the Committee provides otherwise prior to the Change in Control, outstanding unvested RSUs shall be prorated (as described below) and such prorated RSUs shall immediately vest and be payable to you during the period ending sixty days after the Change in Control. The RSUs will not be subject to proration and immediately vest, however, if and to the extent that the Grant is, in connection with the Change in Control, fully assumed by the successor corporation or parent thereof; in such case, the RSUs shall be prorated and immediately vest upon your termination of employment by the successor corporation for reasons other than cause within 18 months following the Change in Control and be payable to the Participant during the period ending sixty days after the termination of employment. Any payment on account of or in connection with a Change in Control will be prorated, after giving effect to the accumulation of Dividend Equivalents, based on the number of whole calendar months within the three-year vesting period that had elapsed as of the date of the Change in Control or termination of employment, as applicable, in relation to the number of calendar months in the three-year vesting period. For purposes of this calculation, you will be credited with a whole month if you were employed on the 15th of the month. In no event will you be permitted, directly or indirectly, to designate the taxable year of the distribution on account of or in connection with a Change in Control.

5. Compensation Recovery Policy. The Grant is subject to the terms of any compensation recovery policy or policies established by ALLETE as may be amended from time to time ("Compensation Recovery Policy"). ALLETE hereby incorporates into the Grant the terms of the Compensation Recovery Policy.

6. Section 409A Compliance. This Grant is intended to comply with Section 409A or an exemption thereunder, and, accordingly, to the maximum extent permitted, the Plan and the Grant shall be interpreted and administered in compliance therewith. Notwithstanding any other provision of the Grant, payments provided pursuant to the Grant may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments pursuant to the Grant that may be excluded from Section 409A as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. To the extent that any provision of the Grant would cause a conflict with the requirements of Section 409A or would cause the administration of the Grant to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment. ALLETE makes no representation that the Grant complies with Section 409A and in no event shall ALLETE be liable for the payment of any taxes and penalties that you may incur under Section 409A.

7. Claims Procedure and Arbitration. The Grant is subject to the following claims procedures:

7.1 Mandatory Claims Procedures. If you or any person acting on your behalf (the "Claimant") has any claim or dispute related in any way to the Grant or to the Plan, the Claimant must follow these claims procedures. All claims must be brought no later than one year following the date on which the claim first arose and any claim not submitted within such time limit will be waived.

7.2 Claim Submission. Any claim must be made in writing to the Claims Administrator. The Claims Administrator, or its delegate, shall notify the Claimant of the resolution of the Claim within 90 days after receipt of the claim; provided, however, if the Claims Administrator determines that an extension is necessary, the 90-day period shall be extended to up to 180 days upon notice to that effect to the Claimant.

7.3 Notice of Denial. If a claim is wholly or partially denied, the denial notice shall contain (i) the reason or reasons for denial of the claim, and (ii) references to the pertinent Plan provisions upon which the denial is based. Unless the claim is submitted for arbitration as provided below and in the Plan, the Claims Administrator's decision or action shall be final, conclusive and binding on all persons having any interest in the Plan.

7.4 Arbitration. If, after exhausting the procedures set forth above, a Claimant wishes to pursue legal action, any action by the Claimant with respect to a claim, must be resolved by arbitration in the manner described herein.

a) Time Limits. A Claimant seeking arbitration of any determination by the Claims Administrator must, within six (6) months of the date of the Claims Administrator's final decision, file a demand for arbitration with the American Arbitration Association submitting the Claim to resolution by arbitration. A Claimant waives any claim not filed timely in accordance with this Section.

b) Rules Applicable to Arbitration. The arbitration process shall be conducted in accordance with the Commercial Law Rules of the American Arbitration Association.

c) Venue. The arbitration shall be conducted in Minneapolis, Minnesota.

d) Binding Effect. The decision of the arbitrator with respect to the claim will be final and binding upon the Company and the Claimant. BY PARTICIPATING IN THE PLAN, AND ACCEPTING THE GRANT, YOU, ON BEHALF OF YOURSELF AND ANY PERSON WITH A CLAIM RELATING TO YOUR GRANT, AGREE TO WAIVE ANY RIGHT TO SUE IN COURT OR TO PURSUE ANY OTHER LEGAL RIGHT OR REMEDY THAT MIGHT OTHERWISE BE AVAILABLE IN CONNECTION WITH THE RESOLUTION OF THE CLAIM.

e) Enforceability. Judgment upon any award entered by an arbitrator may be entered in any court having jurisdiction over the parties.

f) Waiver of Class, Collective, and Representative Actions. Any claim shall be heard without consolidation of such claims with any other person or entity. To the fullest extent permitted by law, whether in court or in arbitration, by participating in the Plan, you waive any right to commence, be a party to in any way, or be an actual or putative class member of any class, collective, or representative action arising out of or relating to any claim, and you agree that any claim may only be initiated or maintained and decided on an individual basis.

g) Standard of Review. Any decision of an arbitrator on a claim shall be limited to determining whether the Claims Administrator's decision or action was arbitrary or capricious or was unlawful. The arbitrator shall adhere to and apply the deferential standard of review set out in *Conkright v. Frommert*, 130 S. Ct. 1640 (2010), *Metropolitan Life Insurance Co. v.* Glenn*,* 554 U.S. 105 (2008), and *Firestone Tire and Rubber Company v. Bruch,* 489 U.S. 101 (1989), and shall accord due deference to the determinations, interpretations, and construction of the Plan document by the Claim's Administrator.

h) General Procedures.

i. Arbitration Rules. The arbitration hearing will be conducted under the AAA Commercial Arbitration Rules (as amended or revised from time to time by AAA) (hereinafter the "AAA Rules"), before one AAA arbitrator who is from the Large, Complex Case Panel and who has experience with matters involving executive compensation and equity compensation plans. The AAA Rules and the terms and procedures set forth here may conflict on certain issues. To the extent that the procedures set forth here conflict with the AAA Rules, the procedures set forth here shall control and be applied by the arbitrator. Notwithstanding the amount of the claim, the Procedures for Large, Complex Commercial Disputes shall not apply.

ii. Substantive Law. The arbitrator shall apply the substantive law (and the laws of remedies, if applicable), of Minnesota or federal law, or both, depending upon the claim. Except to the extent required by applicable law, the Claimant shall keep any arbitration decision or award strictly confidential and not disclose to anyone other than his or her spouse, attorney, or tax advisor.

iii. Authority. The arbitrator shall have jurisdiction to hear and rule on prehearing disputes and is authorized to hold prehearing conferences by telephone or in person as the arbitrator deems necessary. The arbitrator will have the authority to hear a motion to dismiss and/or a motion for summary judgment by any party and in doing so shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

iv. Pre-Hearing Procedures. Each party may take the deposition of not more than one individual and the expert witness, if any, designated by another party. Each party will have the right to subpoena witnesses in accordance with the Federal Arbitration Act, Title 9 of the United States Code. Additional discovery may be had only if the arbitrator so orders, upon a showing of substantial need.

v. Fees and Costs. Administrative arbitration fees and arbitrator compensation shall be borne equally by the parties, and each party shall be responsible for its own attorney's fees, if any; provided, however, that the Committee will authorize payment by the Company of all administrative arbitration fees, arbitrator compensation and attorney's fees if the Committee concludes that a Claimant has substantially prevailed on his or her claims. Unless prohibited by statute, the arbitrator shall assess attorney's fees against a party upon a showing that such party's claim, defense or position is frivolous, or unreasonable, or factually groundless. If either party pursues a claim by any means other than those set forth in this Article, the responding party shall be entitled to dismissal of such action, and the recovery of all costs and attorney's fees and losses related to such action, unless prohibited by statute.

(i) Interstate Commerce and the Federal Arbitration Act. The Company is involved in transactions involving interstate commerce, and the employee's employment with the Company involves such commerce. Therefore, the Federal Arbitration Act, Title 9 of the United States Code, will govern the interpretation, enforcement, and all judicial proceedings regarding the arbitration procedures in this Section.

8. Ratification of Actions. By receiving the Grant or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated your acceptance and ratification of, and consent to, any action taken under the Plan or the Grant by ALLETE, the Board, or the Committee.

9. No Impact on Other Benefits. The Grant or payment on account thereof shall not be taken into account in determining any benefits under any severance, retirement, welfare, insurance or other benefit plan of ALLETE or any affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

10. Notices. Any notice hereunder to ALLETE shall be addressed to ALLETE, 30 West Superior Street, Duluth, Minnesota 55802, Attention: Manager - Compensation and Benefits, Human Resources, and any notice hereunder to you shall be directed to your address as indicated by ALLETE's records, subject to the right of either party to designate at any time hereafter in writing some other address.

11. Governing Law and Severability. To the extent not preempted by the Federal law, the Grant will be governed by and construed in accordance with the laws of the State of Minnesota, without regard to its conflicts of law provisions. In the event any provision of the Grant shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Grant, and the Grant shall be construed and enforced as if the illegal or invalid provision had not been included.

12. Definitions. Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan. The following definitions apply to the Grant and this Annex A:

12.1 "**Claims Administrator"** means ALLETE's Chief Executive Officer, unless the claimant is (or is acting on behalf of) an ALLETE executive officer (within the meaning of Exchange Act Rule 3b-7), in which case the Claims Administrator is the Executive Compensation Committee of the Board of Directors.

12.2 "**Change in Control**" means the earliest of:

(i) the date any one Person, or more than one Person acting as a group (as the term "group" is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires ownership of stock of the Company that, together with stock previously held by the acquirer, constitutes more than fifty (50%) percent of the total fair market value or total voting power of Company stock. If any one Person, or more than one Person acting as a group, is considered to own more than fifty (50%) percent of the total fair market value or total voting power of Company stock, the acquisition of additional stock by the same Person or Persons acting as a group does not cause a Change in Control. An increase in the percentage of stock owned by any one Person, or Persons acting as a group, as a result of a transaction in which Company acquires its stock in exchange for property, is treated as an acquisition of stock;

(ii) the date any one Person, or more than one Person acting as a group (as the term "group" is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by that Person or Persons) ownership of Company stock possessing at least thirty (30%) percent of the total voting power of Company stock;

(iii) the date a majority of the members of the Company's board of directors is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the board of directors prior to the date of appointment or election; or

(iv) the date any one Person, or more than one Person acting as a group (as the term "group" is used in Treasury Regulations section 1.409A-3(i)(5)(v)(B)), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by that Person or Persons) assets from the Company that have a total gross fair market value equal to at least forty (40%) percent of the total gross fair market value of all the Company's assets immediately prior to the acquisition or acquisitions. For this purpose, "gross fair market value" means the value of the corporation's assets, or the value of the assets being disposed of, without regard to any liabilities associated with these assets.

In determining whether a Change in Control occurs, the attribution rules of Code section 318 apply to determine stock ownership. The stock underlying a vested option is treated as owned by the individual who holds the vested option, and the stock underlying an unvested option is not treated as owned by the individual who holds the unvested option. The term "Person" used in this definition means any individual, corporation (including any non-profit corporation), general, limited or limited liability partnership, limited liability company, joint venture, estate, trust, firm, association, organization or other entity or any governmental or quasi-governmental authority, organization, agency or body.

12.3 "**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time

12.4 "**Disability**" or "**Disabled**" means a physical or mental condition in which the Participant is:

(i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months;

(ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Employer's accident and health plan;

(iii) determined to be totally disabled by the Social Security Administration; or

(iv) disabled pursuant to an Employer-sponsored disability insurance arrangement provided that the definition of disability applied under such disability insurance program complies with the foregoing definition of Disability.

12.5 "**Related Company**" means the ALLETE, Inc. and all persons with whom the ALLETE, Inc. would be considered a single employer under Code section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single employer under Code section 414(c) (employees of partnerships, proprietorships, etc., under common control); provided that in applying Code sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code section 414(b), the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Code sections 1563(a)(1), (2), and (3), and in applying Treasury Regulations section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code section 414(c), "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Treasury Regulations section 1.414(c)-2.

12.6 "**Retirement**" or "**Retires**" means Separation from Service, for reasons other than death or Disability, on or after attaining normal retirement age or early retirement age as defined in the most applicable qualified retirement plan sponsored by the Related Company that employed the Participant immediately preceding the Separation from Service, without regard to whether the Participant is a participant in such plan, or if the employer Related Company does not sponsor such retirement plan, on or after attaining Normal Retirement Age or Early Retirement Age as defined in the ALLETE and Affiliated Companies Retirement Plan A, without regard to whether the Participant is a participant under the ALLETE and Affiliated Companies Retirement Plan A.

12.7 "**Section 409A**" means Section 409A of the Code and Treasury Regulations section 1.409A-1 et seq., as they both may be amended from time to time, or other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

12.8 "**Separation from Service**" means that the Participant terminates employment within the meaning of Treasury Regulations section 1.409A-1(h) and other applicable guidance with all Related Companies. Whether a termination of employment has occurred is determined under the facts and circumstances, and a termination of employment shall occur if all Related Companies and the Participant reasonably anticipate that no further services shall be performed after a certain date or that the level of bona fide services the Participant shall perform after such date (as an employee or an independent contractor) shall permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Related Companies if the Participant has been providing services to the Related Companies less than 36 months). A Participant shall not be considered to separate from service during a bona fide leave of absence for less than six (6) months or longer if the Participant retains a right to reemployment with any Related Company by contract or statute. With respect to disability leave, a Participant shall not be considered to separate from service for 29 months unless the Participant otherwise terminates employment or is terminated by all Related Companies.

12.9 "**Specified Employee**" means an Participant who is subject to the six-month delay rule described in Code section 409A(2)(B)(i), determined in accordance with guidelines adopted by the Board from time to time as permitted by Section 409A of the Code and Treasury Regulations section 1.409A-1 et seq., as they both may be amended from time to time, and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

ALLETE
EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN

PERFORMANCE SHARE GRANT
[Effective 2019]

[Eligible Executive Employees]

Name

In accordance with the terms of ALLETE's Executive Long-Term Incentive Compensation Plan, as amended (the "Plan"), and as determined by and through the Executive Compensation Committee of ALLETE's Board of Directors, ALLETE hereby grants to you (the "Participant") Performance Shares, as set forth below, subject to the terms and conditions set forth in this Grant, including Annex A and Annex B hereto and all documents incorporated herein by reference:

Number of Performance Shares Granted:	
Date of Grant:	
Performance Period:	
Performance Goals:	See Annex B

This Grant is made in accordance with the Plan.

Further terms and conditions of the Grant are set forth in Annex A hereto and Performance Goals are set forth in Annex B hereto, both of which are integral parts of this Grant.

Any term, provision or condition applicable to the Performance Shares set forth in the Plan and not set forth herein is hereby incorporated by reference. To the extent any provision hereof is inconsistent with a Plan provision, the Plan provision will govern.

YOU SHOULD CAREFULLY READ AND REVIEW THE TERMS AND CONDITIONS SET FORTH IN THIS GRANT, INCLUDING ANNEX A HERETO, WHICH CONTAINS IMPORTANT INFORMATION, INCLUDING MANDATORY CLAIMS AND ARBITRATION PROCEDURES.

You will be deemed to have accepted this Grant on the Date of Grant and all its associated terms and conditions, including the mandatory claims and arbitration procedures set forth in Annex A, unless you notify the Company of your non-acceptance of the Grant by contacting the Manager–Compensation and Benefits, in writing within sixty (60) days of the Date of Grant.

IN WITNESS WHEREOF, ALLETE has caused this Grant to be executed by its Chairman, President and Chief Executive Officer as of the date and year first above written.

ALLETE

By: _____
Chairman, President & CEO

Attachments: Annex A and Annex B

ANNEX A
TO
ALLETE
EXECUTIVE LONG-TERM INCENTIVE COMPENSATION PLAN
PERFORMANCE SHARE GRANT

The Performance Share Grant to which this is annexed is subject to the following additional terms and conditions:

1. Dividend Equivalents. You will receive Dividend Equivalents with respect to Performance Shares that are earned and payable. Dividend Equivalents are calculated and credited to you after the Performance Period has ended. The Dividend Equivalents will be in the form of additional Performance Shares, which will be added to the number of Performance Shares earned, and will equal the number of Shares (including fractional Shares) that could have been purchased on applicable dividend payment dates, based on the closing ALLETE common stock price as reported in the consolidated transaction reporting system on that date, with cash dividends that would have been paid on underlying Performance Shares, if such Performance Shares were Shares. Dividend Equivalents will only become payable if and to the extent the underlying Performance Shares are earned and become payable.

2. Satisfaction of Goals. Performance Shares remain unearned unless and until Performance Goals are achieved. After the Performance Period has ended, the Executive Compensation Committee (the "Committee") will determine the extent to which the Performance Goals have been met. You will not earn any Performance Shares if the threshold performance level has not been met. Subject to the provisions of Section 4 below and to provisions in the Plan for change in control, Performance Shares will be earned as follows: If the threshold level has been met, you will have earned 50% of the Performance Shares (as increased by the Dividend Equivalents). If the target level has been met, you will have earned 100% of the Performance Shares (as increased by the Dividend Equivalents). If the superior level has been met, you will have earned 200% of the Performance Shares (as increased by the Dividend Equivalents). Straight line interpolation will be used to determine earned awards based on achievement of goals between the threshold, target and superior levels.

3. Payment. Subject to the provisions of Section 4 below and to provisions in the Plan for Change in Control, Performance Shares (as increased by the Dividend Equivalents) shall be paid in full after the Committee has determined the extent to which Performance Goals have been met and within two and one half months after the end of the Performance Period. Payment shall be made, after withholding Performance Shares in an amount equal in value to the minimum amount of tax required to be withheld by law, by depositing ALLETE common stock into your Invest Direct account. Performance Share awards shall not vest until paid.

4. Payment Upon Death, Retirement or Disability; Forfeiture of Unvested Performance Shares Upon Demotion, Unsatisfactory Job Performance, Default on Certain Agreements or Other Separation from Service.

4.1 If during a Performance Period you (i) Retire, (ii) die while employed by a Related Company, or (iii) become Disabled, you (or your beneficiary or estate) will receive a payment of any Performance Shares (as increased by the Dividend Equivalents) after the end of the Performance Period in accordance with Section 3 above. The payment shall be prorated based upon the number of whole calendar months within the Performance Period which had elapsed as of the date of death, Retirement or Disability in relation to the number of calendar months in the full Performance Period. A whole month is counted in the calculation if you were in the position as of the 15th of the month.

4.2 If after the end of a Performance Period, but before any or all Performance Shares have been paid, you Retire, die or become Disabled, you (or your beneficiary or estate) will be entitled to full payout of all earned Performance Shares (as increased by the Dividend Equivalents) in accordance with Section 3 above.

4.3 If, prior to payment of all Performance Shares, you are demoted, you default on any written agreement with a Related Company related to a restrictive employment covenant (such as confidentiality, non-disclosure, non-competition, non-solicitation, or the like) or ALLETE determines, in its sole discretion, that your job performance is unsatisfactory, ALLETE reserves the right to cancel or amend your grant relating to any unpaid Performance Shares, with the result that some portion or all of your unpaid Performance Shares (and related Dividend Equivalents) will be forfeited.

4.4 If you have a Separation from Service for any reason other than those specified in subsection 4.1 above, all Performance Shares (and related Dividend Equivalents), to the extent not yet paid, shall be forfeited on the date of such Separation from Service, except as otherwise provided by the Committee.

5. Compensation Recovery Policy. The Grant is subject to the terms of any compensation recovery policy or policies established by ALLETE as may be amended from time to time ("Compensation Recovery Policy"). ALLETE hereby incorporates into the Grant the terms of the Compensation Recovery Policy.

6. Section 409A Compliance. This Grant is intended to comply with Section 409A of the Code ("Section 409A") or an exemption thereunder, and, accordingly, to the maximum extent permitted, the Plan and the Grant shall be interpreted and administered in compliance therewith. Notwithstanding any other provision of the Grant, payments provided pursuant to the Grant may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments pursuant to the Grant that may be excluded from Section 409A as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. To the extent that any provision of the Grant would cause a conflict with the requirements of Section 409A or would cause the administration of the Grant to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment. ALLETE makes no representation that the Grant complies with Section 409A and in no event shall ALLETE be liable for the payment of any taxes and penalties that you may incur under Section 409A.

7. Claims Procedure and Arbitration. The Grant is subject to the following claims procedures:

7.1 Mandatory Claims Procedures. If you or any person acting on your behalf (the "Claimant") has any claim or dispute related in any way to the Grant or to the Plan, the Claimant must follow these claims procedures. All claims must be brought no later than one year following the date on which the claim first arose and any claim not submitted within such time limit will be waived.

7.2 Claim Submission. Any claim must be made in writing to the Claims Administrator. The Claims Administrator, or its delegate, shall notify the Claimant of the resolution of the claim within 90 days after receipt of the claim; provided, however, if the Claims Administrator determines that an extension is necessary, the 90-day period shall be extended to up to 180 days upon notice to that effect to the Claimant.

7.3 Notice of Denial. If a claim is wholly or partially denied, the denial notice shall contain (i) the reason or reasons for denial of the claim, and (ii) references to the pertinent Plan provisions upon which the denial is based. Unless the claim is submitted for arbitration as provided below and in the Plan, the Claims Administrator's decision or action shall be final, conclusive and binding on all persons having any interest in the Plan.

7.4 Arbitration. If, after exhausting the procedures set forth above, a Claimant wishes to pursue legal action, any action by the Claimant with respect to a claim, must be resolved by arbitration in the manner described herein.

a) Time Limits. A Claimant seeking arbitration of any determination by the Claims Administrator must, within six (6) months of the date of the Claims Administrator's final decision, file a demand for arbitration with the American Arbitration Association submitting the claim to resolution by arbitration. A Claimant waives any claim not filed timely in accordance with this Section.

b) Rules Applicable to Arbitration. The arbitration process shall be conducted in accordance with the Commercial Law Rules of the American Arbitration Association.

c) Venue. The arbitration shall be conducted in Minneapolis, Minnesota.

d) Binding Effect. The decision of the arbitrator with respect to the claim will be final and binding upon the Company and the Claimant. BY PARTICIPATING IN THE PLAN, AND ACCEPTING THE GRANT, YOU, ON BEHALF OF YOURSELF AND ANY PERSON WITH A CLAIM RELATING TO YOUR GRANT, AGREE TO WAIVE ANY RIGHT TO SUE IN COURT OR TO PURSUE ANY OTHER LEGAL RIGHT OR REMEDY THAT MIGHT OTHERWISE BE AVAILABLE IN CONNECTION WITH THE RESOLUTION OF THE CLAIM.

e) Enforceability. Judgment upon any award entered by an arbitrator may be entered in any court having jurisdiction over the parties.

f) Waiver of Class, Collective, and Representative Actions. Any claim shall be heard without consolidation of such claims with any other person or entity. To the fullest extent permitted by law, whether in court or in arbitration, by participating in the Plan, you waive any right to commence, be a party to in any way, or be an actual or putative class member of any class, collective, or representative action arising out of or relating to any claim, and you agree that any claim may only be initiated or maintained and decided on an individual basis.

g) Standard of Review. Any decision of an arbitrator on a claim shall be limited to determining whether the Claims Administrator's decision or action was arbitrary or capricious or was unlawful. The arbitrator shall adhere to and apply the deferential standard of review set out in *Conkright v. Frommert*, 130 S. Ct. 1640 (2010), *Metropolitan Life Insurance Co. v.* Glenn*,* 554 U.S. 105 (2008), and *Firestone Tire and Rubber Company v. Bruch,* 489 U.S. 101 (1989), and shall accord due deference to the determinations, interpretations, and construction of the Plan document by the Claims Administrator.

h) General Procedures.

i. Arbitration Rules. The arbitration hearing will be conducted under the AAA Commercial Arbitration Rules (as amended or revised from time to time by AAA) (hereinafter the "AAA Rules"), before one AAA arbitrator who is from the Large, Complex Case Panel and who has experience with matters involving executive compensation and equity compensation plans. The AAA Rules and the terms and procedures set forth here may conflict on certain issues. To the extent that the procedures set forth here conflict with the AAA Rules, the procedures set forth here shall control and be applied by the arbitrator. Notwithstanding the amount of the claim, the Procedures for Large, Complex Commercial Disputes shall not apply.

ii. Substantive Law. The arbitrator shall apply the substantive law (and the laws of remedies, if applicable), of Minnesota or federal law, or both, depending upon the claim. Except to the extent required by applicable law, the Claimant shall keep any arbitration decision or award strictly confidential and not disclose to anyone other than his or her spouse, attorney, or tax advisor.

iii. Authority. The arbitrator shall have jurisdiction to hear and rule on prehearing disputes and is authorized to hold prehearing conferences by telephone or in person as the arbitrator deems necessary. The arbitrator will have the authority to hear a motion to dismiss and/or a motion for summary judgment by any party and in doing so shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

iv. Pre-Hearing Procedures. Each party may take the deposition of not more than one individual and the expert witness, if any, designated by another party. Each party will have the right to subpoena witnesses in accordance with the Federal Arbitration Act, Title 9 of the United States Code. Additional discovery may be had only if the arbitrator so orders, upon a showing of substantial need.

v. Fees and Costs. Administrative arbitration fees and arbitrator compensation shall be borne equally by the parties, and each party shall be responsible for its own attorney's fees, if any; provided, however, that the Committee will authorize payment by the Company of all administrative arbitration fees, arbitrator compensation and attorney's fees if the Committee concludes that a Claimant has substantially prevailed on his or her claims. Unless prohibited by statute, the arbitrator shall assess attorney's fees against a party upon a showing that such party's claim, defense or position is frivolous, or unreasonable, or factually groundless. If either party pursues a claim by any means other than those set forth in this Article, the responding party shall be entitled to dismissal of such action, and the recovery of all costs and attorney's fees and losses related to such action, unless prohibited by statute.

i) Interstate Commerce and the Federal Arbitration Act. The Company is involved in transactions involving interstate commerce, and the employee's employment with the Company involves such commerce. Therefore, the Federal Arbitration Act, Title 9 of the United States Code, will govern the interpretation, enforcement, and all judicial proceedings regarding the arbitration procedures in this Section.

8. Ratification of Actions. By receiving the Grant or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated your acceptance and ratification of, and consent to, any action taken under the Plan or the Grant by ALLETE, the Board or the Committee.

9. No Impact on Other Benefits. The Grant or payment on account thereof shall not be taken into account in determining any benefits under any severance, retirement, welfare, insurance or other benefit plan of ALLETE or any affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

10. Notices. Any notice hereunder to ALLETE shall be addressed to ALLETE, 30 West Superior Street, Duluth, Minnesota 55802, Attention: Manager - Compensation and Benefits, Human Resources, and any notice hereunder to you shall be directed to your address as indicated by ALLETE's records, subject to the right of either party to designate at any time hereafter in writing some other address.

11. Governing Law and Severability. To the extent not preempted by the Federal law, the Grant will be governed by and construed in accordance with the laws of the State of Minnesota, without regard to its conflicts of law provisions. In the event any provision of the Grant shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Grant, and the Grant shall be construed and enforced as if the illegal or invalid provision had not been included.

12. Definitions. Capitalized terms not otherwise defined herein shall have the meanings given them in the Plan. The following definitions apply to the Grant and this Annex A:

12.1 "**Claims Administrator"** means ALLETE's Chief Executive Officer, unless the claimant is (or is acting on behalf of) an ALLETE executive officer (within the meaning of Exchange Act Rule 3b-7), in which case the Claims Administrator is the Executive Compensation Committee of the Board of Directors.

12.2 "**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time.

12.3 "**Disability**" or "**Disabled**" means a physical or mental condition in which the Participant is:

(a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months;

(b) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Employer's accident and health plan;

(c) determined to be totally disabled by the Social Security Administration; or

(d) disabled pursuant to an Employer-sponsored disability insurance arrangement provided that the definition of disability applied under such disability insurance program complies with the foregoing definition of Disability.

12.4 "**Related Company**" means ALLETE, Inc. and all persons with whom the ALLETE, Inc. would be considered a single employer under Code section 414(b) (employees of controlled group of corporations), and all persons with whom such person would be considered a single employer under Code section 414(c) (employees of partnerships, proprietorships, etc., under common control); provided that in applying Code sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code section 414(b), the language "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Code sections 1563(a)(1), (2), and (3), and in applying Treasury Regulations section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code section 414(c), "at least 50 percent" is used instead of "at least 80 percent" each place it appears in Treasury Regulations section 1.414(c)-2.

12.5 "**Retirement**" or "**Retires**" means Separation from Service, for reasons other than death or Disability, on or after attaining normal retirement age or early retirement age as defined in the most applicable qualified retirement plan sponsored by the Related Company that employed the Participant immediately preceding the Separation from Service, without regard to whether the Participant is a participant in such plan, or if the employer Related Company does not sponsor such retirement plan, on or after attaining Normal Retirement Age or Early Retirement Age as defined in the ALLETE and Affiliated Companies Retirement Plan A, without regard to whether the Participant is a participant under the ALLETE and Affiliated Companies Retirement Plan A.

12.6 "**Separation from Service**" means that the Participant terminates employment within the meaning of Treasury Regulations section 1.409A-1(h) and other applicable guidance with all Related Companies. Whether a termination of employment has occurred is determined under the facts and circumstances, and a termination of employment shall occur if all Related Companies and the Participant reasonably anticipate that no further services shall be performed after a certain date or that the level of bona fide services the Participant shall perform after such date (as an employee or an independent contractor) shall permanently decrease to no more than 20 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Related Companies if the Participant has been providing services to the Related Companies less than 36 months). A Participant shall not be considered to separate from service during a bona fide leave of absence for less than six (6) months or longer if the Participant retains a right to reemployment with any Related Company by contract or statute. With respect to disability leave, a Participant shall not be considered to separate from service for 29 months unless the Participant otherwise terminates employment or is terminated by all Related Companies.

ANNEX B
TO
ALLETE
Executive Long Term Incentive Compensation Plan
Performance Share Grant
Effective 2019
[Eligible Executive Employees]

Financial Measure:
Total Shareholder Return (TSR) computed over the three-year performance period January 1, 2019 to December 31, 2021.

Performance Share Award:
If ALLETE's TSR ranking is at the 85th percentile or higher among the peer group (superior performance), 200% of the Performance Share Grant will be earned. If ALLETE's TSR ranking is at the 50th percentile among the peer group (target performance), 100% of the Performance Share Grant will be earned. If ALLETE's TSR ranking is at the 30th percentile (threshold performance), 50% of the Performance Share Grant will be earned. If TSR ranking is below threshold, no Performance Shares will be earned. Straight-line interpolation will be used to determine earned awards based on the TSR ranking between threshold, target and superior.

Peer Group:
The integrated utility companies comprising Edison Electric Institute (EEI) Stock Index as of December 31, 2021 that have been in the EEI Stock Index for at least three years as of December 31, 2021 will constitute the peer group used to determine actual payout results. The table below lists the EEI Stock Index as of December 31, 2018, based on published information available as of that date:

Alliant Energy Corporation	Entergy Corporation	PG&E Corporation
Ameren Corporation	Evergy Inc.	Pinnacle West Capital Corporation
American Electric Power Company	Eversource Energy	PNM Resources, Inc.
Avangrid, Inc.	Exelon Corporation	Portland General Electric Company
Avista Corporation	FirstEnergy Corporation	PPL Corporation
Black Hills Corporation	Hawaiian Electric Industries, Inc.	Public Service Enterprise Group, Inc.
CenterPoint Energy, Inc.	IDACORP, Inc.	SCANA Corporation
CMS Energy Corporation	MDU Resources Group, Inc.	Sempra Energy
Consolidated Edison, Inc.	MGE Energy, Inc.	The Southern Company
Dominion Energy, Inc.	NextEra Energy, Inc.	Unitil Corporation
DTE Energy Company	NiSource, Inc.	Vectren Corporation
Duke Energy Corporation	NorthWestern Corporation	WEC Energy Group, Inc.
Edison International	OGE Energy Corp.	Xcel Energy, Inc.
El Paso Electric Company	Otter Tail Corporation	

Any Company that is no longer included in the EEI Stock Index as of December 31, 2020 due to corporate restructuring during the performance period (e.g., mergers, acquisitions, divestitures, spin-offs, etc.) will be excluded from the results calculation entirely. If a corporate restructuring during the performance period results in a company remaining in the EEI Stock Index following the transaction (and thus not being excluded from the results calculation entirely), from the point of the transaction forward, the results calculation will track only the entity that remains in the EEI Stock Index and ignore other entities, regardless of whether such other entities are publicly traded.

ALLETE, INC.
Non-Employee Director Compensation
Effective January 1, 2019

Board Retainers [1] [2]	
Stock	$80,850
Cash	$65,100
Committee Cash Retainers [1] [2]	
Audit	$9,000
Executive Compensation	$7,500
Corporate Governance & Nominating	$7,500
Chair Cash Retainers [1] [2]	
Audit	$10,000
Executive Compensation	$7,500
Corporate Governance & Nominating	$5,000

Lead Director [1] [2] [3]	
Board Stock Retainer	$80,850
Board Cash Retainer	$65,100
Lead Director Cash Retainer	$40,000

(1) Cash and stock retainers may be deferred under the Director Compensation Deferral Plan II.
(2) Cash retainers may be elected to be received in ALLETE stock.
(3) Lead Director is not eligible for other committee or chair retainers.

EXECUTIVE SEPARATION AGREEMENT

THIS EXECUTIVE SEPARATION AGREEMENT ("Agreement") is made and entered into effective November 29, 2018 (the "Effective Date") between **ALLETE, Inc.** ("ALLETE" or the "Company"), a Minnesota corporation, and **Deborah A. Amberg** ("Ms. Amberg").

WHEREAS, prior to the Effective Date, Ms. Amberg was employed by ALLETE, on an at-will basis, as its Senior Vice President, Chief Strategy Officer-Regulated Operations, and President of Superior Water, Light and Power Company;

WHEREAS, the Company eliminated Ms. Amberg's position in connection with the ongoing restructuring and re-scaling of ALLETE's regulated utility operations, resulting in Ms. Amberg termination as an ALLETE employee;

WHEREAS, Ms. Amberg has elected to accept executive separation benefits in accordance with this Agreement and understands and agrees that these benefits constitute additional compensation to which she would not otherwise be entitled under any Company program or policy;

WHEREAS, Ms. Amberg and ALLETE wish to set forth the terms of her separation and resolve any and all claims and potential claims between them arising out of or in any way relating to Ms. Amberg's employment with ALLETE and separation from ALLETE;

NOW, THEREFORE, in consideration of the promises and mutual covenants in this Agreement and further good and valuable consideration, the adequacy of which Ms. Amberg acknowledges, the parties agree as follows:

1. Separation from Employment. Ms. Amberg's last day of employment was November 28, 2018. As of the Effective Date, Ms. Amberg no longer holds: (a) the title position of Senior Vice President, Chief Strategy Officer-Regulated Operations, or President of Superior Water, Light and Power Company; (b) any other position with ALLETE or any of its subsidiaries or affiliates or any of the boards of directors thereof; (c) any board or other service position with a trade group, association, or other entity where such board or service position was conferred on her as a representative of ALLETE or any of its subsidiaries or affiliates; and (d) any position as fiduciary or trustee of any benefit plan of ALLETE or any of its subsidiaries or affiliates.

2. Separation Benefits. In consideration for the release set forth below and other obligations under this Agreement, ALLETE agrees to provide the following benefits to Ms. Amberg:

2.1 Separation Payment. ALLETE will make a lump-sum payment to Ms. Amberg in an amount equal to the sum of: (a) $344,866, which amount is equal to twelve (12) months' base salary at Ms. Amberg's pay rate in effect on the Effective Date.

2.2 Health and Welfare Benefits. ALLETE will maintain, at its expense, coverage under the medical plan, dental plan, or both in which Ms. Amberg was a participant as of the Effective Date and will pay the COBRA premiums for that benefit for eighteen (18) months; provided, that ALLETE's obligation to pay COBRA premiums for Ms. Amberg will be contingent on her timely election of COBRA health and dental coverage continuation. In addition, under the Minnesota Continuation rules, ALLETE will pay to continue Ms. Amberg's core life insurance benefit in effect on the Effective Date for a period of eighteen (18) months following the Effective Date.

2.3 Professional Services. ALLETE will pay up to $10,000 for outplacement services provided such expenses are incurred and submitted for payment, as provided in Section 3 below, as described in Section 3.2 below, within twelve (12) months following the Effective Date. In addition, ALLETE will pay up to $5,000 for tax consulting, financial planning, or estate planning services provided such expenses are incurred and submitted for payment, as provided in Section 3.2, below not later than April 30, 2020.

2.4 Withholding. All amounts payable to Ms. Amberg pursuant to this Section 2 above shall be reduced for any applicable withholding taxes.

2.5 Other Benefits. This Agreement is not intended to alter Ms. Amberg's entitlement to benefits provided through her participation in various qualified benefit plans, non-qualified benefit plans, incentive compensation plans, or other benefit programs offered by the Company, including Ms. Amberg's right to receive, in connection with the termination of her employment, a lump-sum payout of any accrued and unused vacation time. Ms. Amberg will be entitled to such benefits or payments when and as provided by the respective plan, program, or grant, as applicable.

3. Timing of Separation Payments.

3.1 Except as expressly provided in this Agreement to the contrary, ALLETE will make the payment described in Section 2.1 above within thirty (30) business days after January 31, 2020, provided this Agreement is in full effect on such date and Ms. Amberg is in compliance with the provisions of this Agreement. If Ms. Amberg dies prior to the date on which the payment described in Section 2.1 otherwise would have been made, ALLETE will make the payment to any beneficiary or beneficiaries designated, in writing, by Ms. Amberg for this express purpose and delivered by her to ALLETE's Manager-Compensation and Benefits.

3.2 All invoices for services covered in Section 2.3 above must be timely submitted to ALLETE's Manager-Compensation and Benefits and, if timely submitted, ALLETE will make payments as soon as administratively practicable following such submission, but in no event later than the last day of Ms. Amberg's taxable year following the taxable year in which the expense was incurred.

4. Waiver and Release. Except with respect to Ms. Amberg's rights under this Agreement, Ms. Amberg, on behalf of herself and her heirs, executors, administrators, representatives, successors and assigns, agrees to release and forever discharge ALLETE, Inc. and its affiliates, subsidiaries, predecessors, successors, related entities, insurers and the current and former officers, directors, shareholders, employees, attorneys, agents and trustees or administrators of any benefit plan of each of the foregoing (any and all of which are referred to as "Releasees") generally from any and all charges, complaints, claims, promises, agreements, causes of actions, damages, and debts of any nature whatsoever, known or unknown (collectively "Claims"), which Ms. Amberg has, claims to have, ever had, or ever claimed to have had against Releasees up through the date of her execution of this Agreement, including but not limited to any Claims under the common law or any statute. This waiver and release specifically includes, but is not limited to, the following:

4.1 any and all claims arising from or relating to Ms. Amberg's recruitment, hire, employment, and separation from employment;

4.2 any and all claims for back pay, front pay, other wages, vacation pay or sick pay, bonuses and any other form of compensation or benefits;

4.3 any and all claims of employment discrimination, harassment or wrongful or retaliatory discharge based on race, color, national origin, ancestry, religion, marital status, veteran status, sex, sexual orientation, familial status, disability, handicap age or other characteristic or conduct protected under any applicable federal and state laws and regulations;

4.4 any and all claims of employment discrimination, harassment or wrongful or retaliatory discharge under any applicable federal, state and local laws and regulations;

4.5 any and all claims under the Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Age Discrimination and Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990; the National Labor Relations Act, as amended; the Equal Pay Act of 1963; the Employee Retirement Income Securities Act of 1974, as amended, (but only as to claims arising thereunder prior to the date hereof); the Americans With Disabilities Act, as amended; the Family and Medical Leave Act of 1993, as amended; the Fair Labor Standards Act; the Minnesota Human Rights Act; the Wisconsin Fair Employment Act; the Constitutions of the United States, the State of Minnesota and the State of Wisconsin; all other federal, state and local civil rights acts, regulations, orders relating to any term, condition or termination of employment; any and all state statutes or judicial decisions relating in any way to any term, condition or termination of employment; in all cases except to the extent such claims cannot be waived as a matter of law;

4.6 any and all claims in tort, contract, public policy, common law or any equitable theory; and

4.7 any and all claims for costs or attorneys' fees.

5. The waiver and release in Section 4 above shall not release any claims that cannot be waived or released as a matter of law. Accordingly, Ms. Amberg does not waive or release the right:

5.1 to file an employment-related charge or complaint with any federal, state, or local government agency with authority over employment-related matters (including the United States Department of Labor, the federal Equal Employment Opportunity Commission, the Minnesota Department of Human Rights, etc.); provided, however, if Ms. Amberg does file a charge or complaint with a government agency, or if someone else files on my behalf or for her benefit, and if it is covered by Section 4, she waives and releases all individual rights, remedies, claims, and causes of action, known and unknown, contingent or absolute, she might have against the Company to receive any damages, attorneys' fees, costs, disbursements, and other monetary and personal relief; also, if the charge or complaint is followed by a lawsuit brought by Ms. Amberg or by someone else on her behalf, she waives and releases all individual rights, remedies, claims, and causes of action, known and unknown, contingent or absolute, she might have against the Company to receive any damages, attorneys' fees, costs, disbursements, and other monetary and personal relief in the lawsuit;

5.2 to testify, assist, or otherwise participate in any investigation, hearing, or other proceeding conducted by any government agency;

5.3 to bring claims under the Minnesota Workers' Compensation Act, as amended, pertaining to workers' compensation benefits; except, however, she does waive the right to bring claims under Minn. Stat. § 176.82;

5.4 to bring claims under the Wisconsin Workers' Compensation Act, as amended, pertaining to workers' compensation benefits; or

5.5 to challenge in court the validity of her waiver and release under the Age Discrimination in Employment Act of 1967, as amended; however, Ms. Amberg has no reason to believe that her waiver and release under that Act is invalid or unenforceable, it being in the best interests of the parties that such waiver and release is valid and enforceable.

6. ADEA Waiver. Ms. Amberg expressly acknowledges and agrees that, among other matters waived and released by Section 4 above, are any and all rights or claims arising under the Age Discrimination and Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990 (the "ADEA"), which have arisen on or before the date Ms. Amberg executes this Agreement. Pursuant to the Older Workers Benefit Protection Act, which contains special provisions and requirements affecting the release of ADEA claims, Ms. Amberg expressly acknowledges and agrees as follows:

6.1 In exchange for the waiver and release in this Agreement, she will receive consideration, meaning something of value beyond that which she was already entitled to receive before signing this Agreement;

6.2 She has been advised by the Company in writing (and given the opportunity) to consult with an attorney before signing this Agreement and Ms. Amberg has consulted with an attorney to the extent that she thinks appropriate;

6.3 She has decided to enter into this Agreement only after she had the opportunity to carefully consider the benefits available as severance pay and the ramifications of this Waiver;

6.4 She has not relied on any explanations, statements, or promises made by the Company or its agents or attorneys other than as set forth in this Agreement;

6.5 Ms. Amberg is being given forty-five (45) calendar days following the date she received this Agreement to consider signing this Agreement. If Ms. Amberg signs this Agreement at any point prior to the end of the 45-day period, it will be her knowing and voluntary decision to do so because she decided that she does not need any additional time to decide whether to sign this Agreement. If she does not sign this agreement within the 45-day period, the offer will expire on the 46th day following the date she received this Agreement and this Agreement will not become enforceable;

6.6 Ms. Amberg has fifteen (15) days following the date she signs this Agreement in which to revoke the Agreement (the "Reconsideration Period"). This Agreement will become irrevocable on the 16th day after it is signed if not revoked within the Reconsideration Period. Any revocation must be in writing and delivered by Ms. Amberg to ALLETE's Vice President-Human Resources prior to the expiration of the Reconsideration Period. If Ms. Amberg revokes this Agreement within the Reconsideration Period, ALLETE shall have no obligations under this Agreement, including to make any severance or other payments provided hereunder; and

6.7 Ms. Amberg further acknowledges receiving the document titled, "Information Regarding Terminated Employees," attached hereto as Exhibit A.

7. Representations. Ms. Amberg acknowledges and understands that ALLETE has relied upon the following representations in entering into this Agreement and that all payments and benefits provided under this Agreement are subject to Ms. Amberg's ongoing compliance with the same:

7.1 No Pending Claims. Ms. Amberg represents that no actions, complaints, or charges have been filed by her against ALLETE or any of its successors, assigns, directors, officers, employees, attorneys, agents and trustees or administrators of any of its benefit plans.

7.2 Promise not to Assist Claimants. Ms. Amberg will not voluntarily aid, assist, or cooperate with any actual or potential claimants or plaintiffs or their attorneys or agents in any claims or lawsuits proposed to be asserted, pending or commenced on the date hereof or in the future against ALLETE or any of its affiliates; provided, however, that nothing in this Agreement will be construed to prevent Ms. Amberg from testifying at an administrative hearing or deposition or in court in response to a lawful subpoena in any litigation or proceeding involving ALLETE or any affiliate.

7.3 Non-disparagement. Ms. Amberg promises that she will not disparage or do anything to harm the ALLETE, its directors, officer, employees, suppliers or customers, or its affiliates and the directors, officers or employees of such affiliates, or to interfere with any of the business or government relations of ALLETE or its affiliates. Ms. Amberg will not, directly or indirectly, publicly criticize in any manner or by any means ALLETE or any aspect of its management, policies, operations, practices, or personnel. Similarly, ALLETE promises that its officers will not disparage Ms. Amberg, and will do nothing to harm her reputation.

7.4 Confidentiality. ALLETE and Ms. Amberg agree that the terms of this Agreement are confidential and that neither will disclose reveal or publicize the existence of this Agreement or its terms, except as required by law and as required under the rules and regulations of the Securities and Exchange Commission (the "SEC"). Ms. Amberg will not discuss the existence or terms of this Agreement with anyone (including to other ALLETE employees) without the express written consent of the ALLETE's Chief Executive Officer, except that she may disclose this Agreement to her legal, tax, accounting or other advisors, and discuss it to the extent necessary to obtain counsel and advice therefrom; and, except further, Ms. Amberg may discuss any term of this Agreement after, and to the extent, such term has been disclosed by ALLETE as required under the rules of the SEC. Notwithstanding the foregoing, Ms. Amberg expressly acknowledges and agrees that by virtue of her former positions with the Company, separate and apart from any obligations set forth in this Agreement, she is subject to and bound by statutory and common law duties that may survive termination of employment, including duties of loyalty and confidentiality.

7.5 Records, Documents and Property. Upon execution of this Agreement, Ms. Amberg will promptly return to ALLETE all business-related records and correspondence, in any format, in her possession at the time she signs this Agreement. Ms. Amberg will also return all property of ALLETE, including computers, telephones, corporate credit cards, keys, proximity cards and badges in her possession at the time she signs this Agreement, except as follows: (a) Ms. Amberg may retain her Company-provided mobile phone and ALLETE agrees to release the associated phone number to allow Ms. Amberg to "port" that number and continue to use it in connection with a personal service plan at her own expense; (b) Ms. Amberg may retain her Company-provided iPad with an understanding that ALLETE will terminate the data plan associated with the

device after the Effective Date, and (c) Ms. Amberg may retain her Company-provided laptop computer, but only on the condition that she first returns it to ALLETE by the Effective Date with the understanding that ALLETE will completely "wipe" the computer, removing everything form it, including all files, documents, programs, and systems, before it will be returned to Ms. Amberg. Ms. Amberg hereby represents that she has returned, or will return to ALLETE within fifteen calendar days after the Effective Date, all ALLETE property in her possession or under her control in accordance with this Section 7.5.

7.6 No Violations of this Agreement. Ms. Amberg represents that during the period in which she has considered whether to enter into this Agreement, she has taken no actions that would have violated this Agreement, had this Agreement been in full force and effect.

8. No Admission. It is expressly understood and agreed that this Agreement does not constitute an admission or statement by either party that it has acted unlawfully or is otherwise liable in any way. It is further agreed that evidence of this Agreement, its terms, or the circumstances surrounding the parties entering into this Agreement will be inadmissible in any action or lawsuit of any kind, except an action for alleged breach of this Agreement. In the event this Agreement does not become effective, it is and will be treated as settlement negotiations that will not be offered or admitted in evidence, or used in any way, for any purpose, in any trial, proceeding, or appeal.

9. Coordination with Other Benefits. Payments made under this Agreement are not intended to duplicate such benefits as workers' compensation wage replacement benefits, disability benefits (including those under the Minnesota Power and Affiliated Companies Long Term Disability Plan), pay-in-lieu-of-notice, severance pay, or similar benefits under other benefit plans, severance programs, employment contracts, or applicable U.S. laws. Should such other benefits be payable, payments under this Agreement will be reduced accordingly or, alternatively, payments previously paid under this Agreement will be treated as having been paid to satisfy such other benefit obligations. In either case, ALLETE, in its sole discretion, will determine how to apply this provision and may override other provisions in the Agreement in doing so. In addition, Ms. Amberg agrees that she will not apply for employment nor be hired by ALLETE or its subsidiaries or affiliates for a period of one year following the Effective Date.

10. Entire Agreement. This Agreement constitutes the entire agreement and understanding between ALLETE and Ms. Amberg concerning her separation from ALLETE, and supersedes and replaces any and all prior agreements and understandings concerning Ms. Amberg' relationship with ALLETE.

11. Severability. In the event any one or more of the provisions of this Agreement becomes or is declared by a court or other tribunal of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

12. Section 409A of the Internal Revenue Code.

12.1 ALLETE and Ms. Amberg agree that all amounts payable under this Agreement are intended to comply with one or more of the exceptions to Section 409A of the Internal Revenue Code ("Section 409A"), including the "short term deferral" exception from specified in Treas. Reg. § 1.409A-1(b)(4) (or any successor provision) or the "separation pay plan" exception specified in Treas. Reg. § 1.409A-1(b)(9) (or any successor provision), and shall to the maximum extent possible be interpreted and administered in a manner consistent with that intention.

12.2 Notwithstanding the foregoing, to the extent that any amounts payable in accordance with this Agreement are subject to Section 409A, this Agreement shall be interpreted and administered in such a way as to comply with Section 409A to the maximum extent possible. If necessary, with respect to amounts subject to Section 409A, if any, any provision in this Agreement will be held null and void to the extent such provision (or part thereof) fails to comply with Section 409A or regulations issued under Section 409A.

12.3 ALLETE and Ms. Amberg agree that each payment of compensation under this Agreement will be treated as a separate payment of compensation for purposes of Section 409A rule and exceptions.

12.4 The severance amounts described in this Agreement shall be paid only upon the occurrence of an involuntary "separation from service," as defined in Section 409A. If payment of any amount subject to Section 409A is triggered by a separation from service that occurs while Ms. Amberg is a "specified employee" (as defined by Section 409A), payment(s) shall not commence until the expiration of the six-month period commencing on the Effective Date and payments to which Ms. Amberg would otherwise be entitled during this six-month period shall be accumulated and paid, together with earnings that have accrued during this six-month delay, on the first day of the seventh month following the Effective Date; or, if earlier, within 15 days after the appointment of the personal representative or executor of the Ms. Amberg's estate following the her death.

12.5 "Termination of employment," "resignation" or words of similar import, as used in this Agreement shall mean, with respect to any payments subject to Section 409A, Ms. Amberg's "separation from service" as defined by Section 409A. If any payment subject to Section 409A is contingent on the delivery of a release by Ms. Amberg and could occur in either of two years, the payment will occur in the later year.

12.6 Any reimbursements or in-kind benefits provided under this Agreement that are subject to Section 409A will be made or provided in accordance with the requirements of Section 409A. Ms. Amberg will not be permitted, directly or indirectly, to designate the taxable year of the affected payment(s).

13. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the parties hereto. The parties represent that they have read this Agreement, they understand the terms and consequences of this Agreement and of the releases it contains, and they are fully aware of the legal and binding effect of this Agreement.

14. Binding Effect. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective personal representatives, estates, heirs, successors or assigns.

15. Governing Law. This Agreement will be construed and interpreted in accordance with federal law, to the extent applicable, and otherwise in accordance with the internal laws of the State of Minnesota, without regard to its choice of law rules. To the extent that either Party seeks to interpret or enforce this Agreement, the Parties agree to submit to the exclusive jurisdiction of the State and Federal Courts sitting in St. Louis County, Minnesota, and waive any objections to the Court based on jurisdiction, venue or inconvenient forum.

16. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the respective parties hereto have executed this Agreement on the date indicated below Ms. Amberg's signature.

Deborah A. Amberg

_____

Dated: _____

ALLETE, Inc.

By: _____
Alan R. Hodnik
Chairman, President and CEO

Exhibit A
to
Executive SEPARATIOn AGREEMENT

INFORMATION REGARDING TERMINATED EMPLOYEES

The following information is provided as required under the Age Discrimination in Employment Act, 29 U.S.C. Section 621 et seq. and the older Workers Benefit Protection Act, 29 U.S.C. Section 630 et seq., as set forth in 29 C.F.R. Section 1625.22.

The "decisional unit" considered for the program and the group from which you were selected for termination consists of all Senior Vice Presidents of ALLETE and Minnesota Power whose exclusive or primary focus is on regulated operations, excluding the following positon: Senior Vice President ALLETE & President Regulated Operations. The persons whose employment is being terminated have been selected for the program based on their positions' exclusive focus on regulated operations.

Below is a list, as of November 26, 2018, of the ages and job titles of the persons in the affected decisional unit who were, and were not, selected for termination and offered severance in exchange for signing the waiver and release contained in this Executive Separation Agreement.

Eligible for Severance Pay
(Selected for Termination)

Age	**Job Title**
53	Senior Vice President ALLETE, Chief Strategy Officer-Regulated Operations, and President Superior Water, Light & Power
56	Senior Vice President-Minnesota Power Operations

Not Eligible for Severance Pay
(Not Selected for Termination)

Age	**Job Title**
58	Senior Vice President ALLETE-External Affairs

SUBSIDIARIES OF THE REGISTRANT
As of December 31, 2018

Name of Organization *(a)*	**State or Country**
ALLETE, Inc. *(d/b/a ALLETE; Minnesota Power; Minnesota Power, Inc.;*	Minnesota
Minnesota Power & Light Company)	
ALLETE Automotive Services, LLC	Minnesota
ALLETE Enterprises, Inc.	Minnesota
ALLETE Clean Energy, Inc.	Minnesota
ACE Wind LLC	Delaware
ACE Mid-West Holdings, LLC	Delaware
MWW Holdings, LLC	Delaware
Lake Benton Power Associates LLC	Delaware
Lake Benton Holdings LLC	Delaware
Lake Benton Power Partners L.L.C.	Delaware
Storm Lake Power Partners I LLC	Delaware
Storm Lake II Power Associates LLC	Delaware
Storm Lake II Holdings LLC	Delaware
Storm Lake Power Partners II LLC	Delaware
New Salem Holdings, LLC	Delaware
Glen Ullin Energy Center, LLC	Delaware
Northern Wind Energy, LLC	Delaware
Chanarambie Power Partners, LLC	Delaware
Viking Wind Holdings, LLC	Delaware
ACE West Holdings, LLC	Delaware
Condon Wind Power, LLC	Delaware
South Peak Wind LLC	Delaware
Armenia Holdings, LLC	Delaware
AMW I Holding, LLC	Delaware
Armenia Mountain Wind, LLC	Delaware
Armenia Mountain Wind II, LLC	Delaware
Thunder Spirit Wind, LLC	Delaware
ACE O&M, LLC	Delaware
ALLETE Power Systems, Inc.	Minnesota
ALLETE Renewable Resources, Inc.	North Dakota
ALLETE South Wind, LLC	Delaware
ALLETE Transmission Holdings, Inc.	Wisconsin
BNI Energy, Inc.	North Dakota
BNI Coal, Ltd.	North Dakota
Global Water Services Holding Company, Inc.	Delaware
U.S. Water Services, Inc.	Minnesota
U.S. Water Services – Canada, Inc.	Canada
USWATERSERV-DR, S.R.L.	Dominican Republic
MP Affiliate Resources, Inc.	Minnesota
Rainy River Energy Corporation	Minnesota
South Shore Energy, LLC	Wisconsin
Upper Minnesota Properties, Inc.	Minnesota
Upper Minnesota Properties - Development, Inc.	Minnesota
ALLETE Properties, LLC *(d/b/a ALLETE Properties)*	Minnesota
ALLETE Commercial, LLC	Florida
Lehigh Acquisition, LLC	Delaware
Florida Landmark Communities, LLC	Florida
Lehigh Corporation	Florida
Mardem, LLC	Florida

(a) Certain insignificant subsidiaries are omitted.

Name of Organization *(a)*	**State or Country**
Palm Coast Holdings, Inc.	Florida
Port Orange Holdings, LLC	Florida
Interlachen Lakes Estates, LLC	Florida
Palm Coast Land, LLC	Florida
ALLETE Water Services, Inc.	Minnesota
Florida Water Services Corporation	Florida
Energy Replacement Property, LLC	Minnesota
Energy Land, Incorporated	Wisconsin
Lakeview Financial Corporation I	Minnesota
Lakeview Financial Corporation II	Minnesota
MP Investments, Inc.	Delaware
RendField Land Company, Inc.	Minnesota
Superior Water, Light and Power Company	Wisconsin

(a) Certain insignificant subsidiaries are omitted.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-212794, 333-211075) and Form S-8 (Nos. 333-162890, 333-183051, 333-190336, 333-207846, 333-228120) of ALLETE, Inc. of our report dated February 14, 2019, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 14, 2019

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Alan R. Hodnik, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2018, of ALLETE, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2019

/s/ Alan R. Hodnik
Alan R. Hodnik
Chairman and Chief Executive Officer

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert J. Adams, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended December 31, 2018, of ALLETE, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2019

/s/ Robert J. Adams

Robert J. Adams

Senior Vice President and Chief Financial Officer

Exhibit 32

Section 1350 Certification of Periodic Report
By the Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, each of the undersigned officers of ALLETE, Inc. (ALLETE), does hereby certify that:

1. The Annual Report on Form 10-K of ALLETE for the fiscal year ended December 31, 2018, (Report) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ALLETE.

Date: February 14, 2019

/s/ Alan R. Hodnik
Alan R. Hodnik
Chairman and Chief Executive Officer

Date: February 14, 2019

/s/ Robert J. Adams
Robert J. Adams
Senior Vice President and Chief Financial Officer

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability pursuant to that section. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that ALLETE specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ALLETE and will be retained by ALLETE and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 95

Mine Safety Disclosure

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Total Number of Mining-Related Fatalities (#)	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Center Mine / 3200218	—	—	—	—	—	—	—	No	No	—	—	—

For the quarter ended December 31, 2018, BNI Energy, owner of Center Mine, received six citations under Section 104(a) of the Mine Safety Act, none of which were significant and substantial (S&S) citations; fourteen citations were received for the year ended December 31, 2018, one of which was a S&S citation. For the year ended December 31, 2018, BNI Energy paid $3,658 in penalties for citations closed during the period. For the year ended December 31, 2018, there were no citations, orders, violations or notices received under Sections 104(b), 104(d), 107(a), 104(e) or 110(b)(2) of the Mine Safety Act and there were no fatalities.

Exhibit 99

For Release: February 14, 2019
Investor Contact: Vince Meyer
218-723-3952
vmeyer@allete.com

NEWS

ALLETE, Inc. reports 2018 earnings of $3.38 per share; initiates 2019 earnings guidance; 2019 to be a significant year of renewable energy projects

DULUTH, Minn. - ALLETE, Inc. (NYSE: ALE) today reported 2018 earnings of $3.38 per share on net income of $174.1 million and operating revenue of $1.5 billion. Reported results from 2017 were $3.38 per share on net income of $172.2 million and operating revenue of $1.4 billion.

Net income in 2017 included a $13.0 million after-tax, or $0.25 per share, benefit for the re-measurement of ALLETE's deferred income tax assets and liabilities resulting from the Tax Cuts and Jobs Act (TCJA) that was enacted on December 22, 2017. Results for 2017 also reflected a benefit of $7.9 million after-tax, or $0.16 per share, for the Minnesota Public Utilities Commission's (MPUC) modification of its November 2016 order on the allocation of North Dakota investment tax credits. These benefits were partially offset by a non-cash $11.4 million after-tax charge, or $0.22 per share, for the MPUC's decision in Minnesota Power's rate case in January 2018, disallowing recovery of Minnesota Power's regulatory asset for deferred fuel adjustment clause costs due to the anticipated adoption of a forward-looking fuel adjustment clause methodology.

"Our accomplishments in 2018 were many, as evidenced by our strong financial performance and continued positioning with our multi-faceted strategy for future growth," said ALLETE Chairman and CEO Al Hodnik. "Our hard work and thoughtful positioning over the past several years is already contributing value to our shareholders and we expect that to continue for the long-term. 2019 will be a year of robust construction and further investment for growth as our Regulated Operations and ALLETE Clean Energy will complete approximately $400 million in renewable energy related projects for a cleaner energy future."

ALLETE's Regulated Operations segment, which includes Minnesota Power, Superior Water, Light and Power, and the Company's investment in the American Transmission Co. (ATC), recorded 2018 net income of $131.0 million, compared to $128.4 million in 2017. Minnesota Power's 2017 net income reflects the previously mentioned $11.4 million after-tax charge for the MPUC's decision disallowing recovery of Minnesota Power's regulatory asset for deferred fuel adjustment clause costs in 2017. In addition, net income in 2018 reflects lower transmission revenue resulting from lower MISO-related revenue, timing of fuel adjustment clause recoveries, lower industrial sales, and higher property tax and interest expense. These decreases were partially offset by lower operating and maintenance expense, higher pricing on power supply agreements with Other Power Suppliers, increased cost recovery rider revenue and higher kilowatt hour (kWh) sales to residential and commercial customers due to more favorable weather conditions in 2018.

ALLETE's Energy Infrastructure and Related Services businesses, which include ALLETE Clean Energy and U.S. Water Services, recorded net income of $33.7 million and $3.2 million, respectively. Earnings at ALLETE Clean Energy in 2018 included the sale of a wind energy facility to Montana-Dakota Utilities, a lower federal income tax rate enacted as part of TCJA and $7.4 million after-tax of additional production tax credits as ALLETE Clean Energy continues to execute its refurbishment strategy. These increases were partially offset by higher operating and maintenance expenses. Earnings in 2017 included a favorable impact of $23.6 million after-tax for the remeasurement of deferred income tax assets and liabilities resulting from the TCJA.

Earnings at U.S. Water Services in 2018 included increased revenue due to higher capital project sales and higher sales of chemicals and related services, partially offset by increased operating expenses. 2018 earnings also reflected a $0.6 million after-tax expense recognized as cost of sales related to purchase price accounting for sales backlog. Net income in 2017 reflected a $9.2 million after-tax benefit for the re-measurement of deferred income tax assets and liabilities resulting from the TCJA.

Corporate and Other businesses, which include BNI Energy and ALLETE Properties, recorded net income of $6.2 million in 2018 compared to a net loss of $8.4 million in 2017. Net income in 2018 included an increase for the change in fair value of the contingent consideration liability of $1.3 million after-tax. The net loss in 2017 included additional income tax expense of $19.8 million after-tax for the remeasurement of deferred income tax assets and liabilities resulting from the TCJA. The net loss in 2017 also included the previously mentioned favorable impact of $7.9 million after-tax for the MPUC's modification of its November 2016 order on the allocation of North Dakota investment tax credits.

Earnings were diluted by $0.04 per share in 2018, due to additional shares of common stock outstanding as of December 31, 2018.

Details of the Company's 2019 earnings guidance were filed as part of today's Form 8-K filing.

Live Webcast on February 14, 2019; financial slides posted on company website
ALLETE's earnings conference call will be at 10:00 a.m. (EST), February 14, 2019, at which time management will discuss fourth quarter and 2018 financial results. To participate in the call, analysts are asked to dial 877-303-5852, pass code 4766869, ten minutes prior to the start time and refer to the "ALLETE's Conference Call Announcing Fourth Quarter 2018 Financial Results." All interested parties may listen to the live audio-only webcast accompanied by financial slides, which will be available on ALLETE's Investor Relations website http://investor.allete.com/events-presentations. A replay of the call will be available through February 18, 2019 by calling (855) 859-2056, pass code 4766869. The webcast will be accessible for one year at www.allete.com.

ALLETE is an energy company headquartered in Duluth, Minn. In addition to its electric utilities, Minnesota Power and Superior Water, Light and Power of Wisconsin, ALLETE owns ALLETE Clean Energy, based in Duluth, BNI Energy in Bismarck, N.D., U.S. Water headquartered in St. Michael, Minn., and has an eight percent equity interest in the American Transmission Co. More information about ALLETE is available at www.allete.com. *ALE-CORP*

The statements contained in this release and statements that ALLETE may make orally in connection with this release that are not historical facts, are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. These forward-looking statements involve risks and uncertainties and investors are directed to the risks discussed in documents filed by ALLETE with the Securities and Exchange Commission.

ALLETE's press releases and other communications may include certain non-Generally Accepted Accounting Principles (GAAP) financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the company's financial statements.

Non-GAAP financial measures utilized by the Company may include presentations of earnings (loss) per share and earnings before interest, taxes, depreciation and amortization. ALLETE's management believes that these non-GAAP financial measures provide useful information to investors by removing the effect of variances in GAAP reported results of operations that are not indicative of changes in the fundamental earnings power of the Company's operations. Management believes that the presentation of the non-GAAP financial measures is appropriate and enables investors and analysts to more accurately compare the company's ongoing financial performance over the periods presented.

ALLETE, Inc.
Consolidated Statement of Income
For the Periods Ended December 31, 2018 and 2017

	Quarter Ended		Year to Date	
	2018	**2017**	**2018**	**2017**
Millions Except Per Share Amounts				
Operating Revenue				
Contracts with Customer – Utility	$270.2	$239.7	$1,059.5	$1,063.8
Contracts with Customer – Non-utility	172.4	92.3	415.5	331.9
Other – Non-utility	5.7	5.9	23.6	23.6
Total Operating Revenue	448.3	337.9	1,498.6	1,419.3
Operating Expenses				
Fuel, Purchased Power and Gas – Utility	106.9	113.7	407.5	396.9
Transmission Services – Utility	16.8	18.1	69.9	71.2
Cost of Sales – Non-utility	109.4	41.6	218.0	147.5
Operating and Maintenance	86.9	92.7	340.5	344.1
Depreciation and Amortization	52.2	26.0	205.6	177.5
Taxes Other than Income Taxes	14.1	14.2	57.9	56.9
Other	(2.0)	(0.7)	(2.0)	(0.7)
Total Operating Expenses	384.3	305.6	1,297.4	1,193.4
Operating Income	64.0	32.3	201.2	225.9
Other Income (Expense)				
Interest Expense	(16.3)	(17.3)	(67.9)	(67.8)
Equity Earnings in ATC	4.5	5.2	17.5	22.5
Other	2.1	1.3	7.8	6.3
Total Other Expense	(9.7)	(10.8)	(42.6)	(39.0)
Income Before Non-Controlling Interest and Income Taxes	54.3	21.5	158.6	186.9
Income Tax Expense (Benefit)	(6.8)	(19.9)	(15.5)	14.7
Net Income	$61.1	$41.4	$174.1	$172.2
Average Shares of Common Stock				
Basic	51.5	51.1	51.3	50.8
Diluted	51.7	51.3	51.5	51.0
Basic Earnings Per Share of Common Stock	$1.19	$0.81	$3.39	$3.39
Diluted Earnings Per Share of Common Stock	$1.18	$0.81	$3.38	$3.38
Dividends Per Share of Common Stock	$0.56	$0.535	$2.24	$2.14

Consolidated Balance Sheet
Millions

	Dec. 31, 2018	**Dec. 31, 2017**		**Dec. 31, 2018**	**Dec. 31, 2017**
Assets			**Liabilities and Equity**		
Cash and Cash Equivalents	$69.1	$98.9	Current Liabilities	$405.1	$351.2
Other Current Assets	265.2	268.6	Long-Term Debt	1,428.5	1,439.2
Property, Plant and Equipment – Net	3,904.4	3,822.4	Deferred Income Taxes	223.6	230.5
Regulatory Assets	389.5	384.7	Regulatory Liabilities	512.1	532.0
Equity Investments	161.1	118.7	Defined Benefit Pension & Other Postretirement Benefit Plans	177.3	191.8
Other Investments	49.1	53.1	Other Non-Current Liabilities	262.6	267.1
Goodwill and Intangibles – Net	223.3	225.9	Equity	2,155.8	2,068.2
Other Non-Current Assets	103.3	107.7			
Total Assets	$5,165.0	$5,080.0	**Total Liabilities and Equity**	$5,165.0	$5,080.0

ALLETE, Inc. Income (Loss) Millions	Quarter Ended December 31, 2018	 2017	Year to Date December 31, 2018	 2017
Regulated Operations	$31.3	$18.3	$131.0	$128.4
Energy Infrastructure and Related Services				
ALLETE Clean Energy	17.8	30.4	33.7	41.5
U.S. Water Services	2.7	9.1	3.2	10.7
Corporate and Other	9.3	(16.4)	6.2	(8.4)
Net Income Attributable to ALLETE	$61.1	$41.4	$174.1	$172.2
Diluted Earnings Per Share	$1.18	$0.81	$3.38	$3.38

Statistical Data				
Corporate				
Common Stock				
High	$82.82	$81.24	$82.82	$81.24
Low	$72.42	$72.96	$66.64	$61.64
Close	$76.22	$74.36	$76.22	$74.36
Book Value	$41.85	$40.46	$41.85	$40.46

Kilowatt-hours Sold Millions				
Regulated Utility				
Retail and Municipal				
Residential	304	305	1,140	1,096
Commercial	351	359	1,426	1,420
Industrial	1,843	1,890	7,261	7,327
Municipal	195	208	798	799
Total Retail and Municipal	2,693	2,762	10,625	10,642
Other Power Suppliers	977	1,017	3,953	4,039
Total Regulated Utility	3,670	3,779	14,578	14,681

Regulated Utility Revenue Millions				
Regulated Utility Revenue				
Retail and Municipal Electric Revenue				
Residential	$33.6	$28.4	$126.1	$114.8
Commercial	35.5	29.8	141.9	133.6
Industrial	120.3	103.1	465.2	465.9
Municipal	13.1	12.8	54.9	57.9
Total Retail and Municipal	202.5	174.1	788.1	772.2
Other Power Suppliers	43.0	37.7	170.3	161.8
Other (Includes Water and Gas Revenue)	24.7	27.9	101.1	129.8
Total Regulated Utility Revenue	$270.2	$239.7	$1,059.5	$1,063.8